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LISTING STATEMENT No. 2124

LISTED OCTOBER 16, 1962
1,340,000 shares without par value, of which
287,500 are subject to issuance.
Ticker abbreviation "CBI"
Dial ticker number 150
Post section 1.4

OCT 25 1962

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

CAPITAL BUILDING INDUSTRIES LIMITED

Incorporated under the laws of Ontario by
Letters Patent dated February 16, 1962

SHARES WITHOUT PAR VALUE

(Transferable in Montreal, Toronto,
Winnipeg and Vancouver)

CAPITAL SECURITIES AND FUNDED DEBT AS AT SEPTEMBER 13, 1962

	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
FUNDED DEBT:			
6¼ % Convertible Sinking Fund Debentures Series A maturing April 1, 1977.	\$1,500,000	(1) \$1,000,000 (2) None	
CAPITAL SECURITIES:			
Shares without par value	2,000,000	1,052,500	1,340,000 (3)

- NOTES: (1) Additional Debentures may be issued subject to the restrictions contained in the Trust Indenture.
- (2) \$500,000 principal amount of the Debentures originally issued have been converted into an aggregate of 112,500 Shares.
- (3) Of which 287,500 Shares are subject to issuance. 262,500 Shares are reserved for the exercise of conversion privileges attaching to the Debentures and 25,000 Shares are reserved for issue upon the exercise of outstanding stock options granted to employees of the Company and its subsidiaries.

September 13, 1962

1. APPLICATION

CAPITAL BUILDING INDUSTRIES LIMITED (herein called the "Company") hereby makes application for the listing on The Toronto Stock Exchange of 1,340,000 shares without par value (herein called the "Shares") of which 1,052,500 are presently outstanding as fully paid and non-assessable, 262,500 are reserved for the exercise of conversion privileges attaching to the 6¼ % Convertible Sinking Fund Debentures Series A and 25,000 are reserved for issue upon the exercise of outstanding stock options.

2.

REFERENCE TO THE PROSPECTUS

Reference is made to the attached prospectus issued by the Company under date of March 23, 1962 with respect to the offering of 6¼ % Convertible Sinking Fund Debentures Series A in the aggregate principal amount of \$1,500,000 with a bonus of Shares, a copy of which prospectus is hereby incorporated herein and made a part hereof.

3.

SUBSIDIARIES

Since the date of the attached prospectus, the subsidiary companies referred to therein (other than the four 50% owned companies) have amalgamated into three companies under the names of Capital Quality Homes Limited, Capitaland Limited and Essex Cabinet Makers (Ontario) Limited. Each of the amalgamations was effected by letters patent of amalgamation of the Province of Ontario dated June 30, 1962. Each of the amalgamated companies has an authorized share capital of 40,000 shares without par value. Capital Quality Homes Limited, with an issued capital of 4,803 shares without par value, carries on the business of construction of homes and commercial buildings; Capitaland Limited, with an issued capital of 1,500 shares without par value, carries on the business of land development; and Essex Cabinet Makers (Ontario) Limited, with an issued capital of 610 shares without par value, carries on the business of millwork and cabinet making.

In addition, three subsidiaries have been incorporated under the laws of the Province of Quebec under the names of Capital Quality Homes (Quebec) Limited, Capitaland (Quebec) Limited and Essex Cabinet Makers (Quebec) Limited, each with an authorized capital of 100 shares without par value of which 10 shares have been issued in each case. Each of these subsidiaries carries on the same business as the Ontario subsidiary bearing the corresponding name.

All of the outstanding shares of the above subsidiaries are beneficially owned by the Company.

4.

OPINION OF COUNSEL

Messrs. Blake, Cassels & Graydon, Suite 2400, 25 King Street West, Toronto, Ontario, counsel for the Company, are filing in support of this application an opinion stating, among other things, that (i) the Company is duly incorporated and is a valid and subsisting corporation in good standing under the laws of the Province of Ontario; (ii) the duly authorized capital of the Company consists of 2,000,000 shares without par value; (iii) 1,052,500 shares without par value have been duly issued and are outstanding as fully paid and non-assessable; and (iv) the 262,500 shares which are reserved for the exercise of conversion privileges attaching to the 6¼ % Convertible Sinking Fund Debentures Series A and the 25,000 shares reserved for issue upon the exercise of outstanding stock options will, subject to the issue thereof pursuant to the due exercise of such conversion privileges and options respectively, be outstanding as fully paid and non-assessable.

5.

LISTING ON OTHER STOCK EXCHANGES

The Shares which the Company is hereby applying to list on The Toronto Stock Exchange are now listed on the Canadian Stock Exchange.

6.

STATUS UNDER SECURITIES ACTS

The offering of the 6¼ % Convertible Sinking Fund Debentures Series A in the aggregate principal amount of \$1,500,000 with a bonus of Shares referred to in paragraph 2 hereof and in the prospectus attached hereto was qualified for sale to the public in each of the Provinces of Canada except Newfoundland.

7.

ESCROW AGREEMENT

675,000 of the Shares are in escrow with The Royal Trust Company to be released only as follows: 25,000 on October 1, 1962*, 50,000 on April 1, 1963; 75,000 on October 1, 1963; 75,000 on each of April 1 and October 1 in each of the years 1964 to 1966 inclusive and 75,000 on April 1, 1967, subject to earlier release prior to the date specified if the shares of the Company have been selling on the Canadian Stock Exchange for at least 90 days prior to the date of such release at a price of at least \$10 per share or with the consent of Gairdner & Company Limited. In the case of any release after October 1, 1962 the prior written consent of The Toronto Stock Exchange must be obtained to such release.

*Note: Since the date of this application, namely October 1, 1962, 25,000 shares were released from escrow.

8.

FISCAL YEAR

The fiscal year of the Company ends on December 31 in each year.

New Issue

\$1,500,000

Capital Building Industries Limited

6¼% Convertible Sinking Fund Debentures Series A

With a Bonus of Shares

Prospectus

This prospectus is not, and under no circumstances is to be construed as, a public offering of these securities for sale in the United States of America or in the territories or possessions thereof.

NEW ISSUE

\$1,500,000

Capital Building Industries Limited

(Incorporated under the laws of the Province of Ontario)

6¼% Convertible Sinking Fund Debentures Series A

**With a bonus at the rate of 100 shares without par value
for each \$1,000 principal amount of
Series A Debentures**

To be dated April 1, 1962

To mature April 1, 1977

Principal and half-yearly interest (April 1 and October 1) are to be payable in lawful money of Canada at any branch in Canada of the Company's bankers, at the holder's option. Coupon Debentures in the denominations of \$500 and \$1,000 registrable as to principal only and fully registered Debentures in denominations of \$1,000 and authorized multiples of \$1,000. Redeemable prior to maturity at the Company's option at any time in whole or from time to time in part on not less than 30 days' prior notice on the following bases: (i) out of sinking fund moneys, at the principal amount thereof; and (ii) otherwise than out of sinking fund moneys, at the option of the Company, at the principal amount thereof plus a premium of 6¼% of such amount if redeemed on or before April 1, 1963, such premium thereafter decreasing .45 of 1% of such principal amount for each year commenced or elapsed after April 1, 1963 to the date specified for redemption up to and including the year commencing April 2, 1975 and after April 1, 1976 and prior to maturity at the principal amount thereof; together in all cases with accrued interest to the date specified for redemption.

Sinking Fund

The Company will covenant to establish a sinking fund to provide for the retirement of \$100,000 principal amount of 6¼% Convertible Sinking Fund Debentures Series A (hereinafter sometimes called the "Series A Debentures") on April 1 in each of the years 1963 to 1976 inclusive. Such sinking fund and the retirement of a further \$100,000 principal amount of Series A Debentures at maturity will provide for the retirement of the Series A Debentures in full.

Conversion Privilege

The Series A Debentures will be convertible, at the option of the holder, at any time prior to the close of business on March 31, 1977 or on the last business day immediately preceding the date fixed for redemption of such Debentures, whichever is earlier, into fully paid and non-assessable shares without par value in the capital of the Company (as presently constituted). The Series A Debentures are to be convertible at six rates (in order of conversions) as follows:

- (i) 125 shares per \$500 principal amount (being at the price of \$4 per share);
- (ii) 100 shares per \$500 principal amount (being at the price of \$5 per share);
- (iii) 83 shares per \$500 principal amount (being at the price of approximately \$6 per share);
- (iv) 72 shares per \$500 principal amount (being at the price of approximately \$7 per share);
- (v) 63 shares per \$500 principal amount (being at the price of approximately \$8 per share);
- (vi) 56 shares per \$500 principal amount (being at the price of approximately \$9 per share).

Full particulars concerning the amount of the Series A Debentures convertible at the above respective rates (which initially will be \$250,000 at each of such rates, but will be subject to adjustment) and other particulars concerning the conversion privilege are set forth herein.

TRUSTEE—Debentures: The Canada Trust Company

**TRANSFER AGENT AND REGISTRAR—Shares: The Royal Trust Company,
Montreal, Toronto, Winnipeg and Vancouver**

The listing on the Canadian Stock Exchange of the shares of the Company to be outstanding has been approved, subject to the filing of documents and evidence of satisfactory distribution.

We, as principals, offer these Series A Debentures (with a bonus of shares), subject to prior sale and change in price, if, as and when issued by the Company and accepted by us and subject to the approval of all legal matters on our behalf by Messrs. Fraser, Beatty, Tucker, McIntosh & Stewart, Toronto, and on behalf of the Company by Messrs. Blake, Cassels & Graydon, Toronto.

PRICE: 100 and accrued interest

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that Series A Debentures in definitive form and interim certificates representing the bonus shares will be available for delivery on or about April 10, 1962.

The following information has been supplied by the President of Capital Building Industries Limited.

The Company

Capital Building Industries Limited (herein called the "Company") was incorporated under the laws of the Province of Ontario on February 16, 1962. The Company now owns all the issued and outstanding shares of Economy Home Builders of Ottawa Limited, Economy Homes of Hamilton Limited, Builders Realty Limited, Economy Home Builders of London Limited, Economy Homes of Ottawa Limited, Morris Construction (Windsor) Limited, La Salle Cabinets Limited and Carlton Cabinets Limited. The Company and Economy Home Builders of London Limited (a wholly owned subsidiary of the Company as above mentioned) each owns 50% of the issued and outstanding shares of C & R Realty Limited, G & L Realty Limited, Hamsor Realty Limited, Rochar Realty Limited, Wentex Realty Limited and Gernald Company Limited. The Company now owns substantially all the issued and outstanding shares of Daro Construction Company Limited, Sandwich West Construction Company Limited and Economy Home Builders of Windsor Limited, all the other issued and outstanding shares of such companies being held by Economy Home Builders of London Limited (a wholly owned subsidiary of the Company). The Company now owns one-third of the issued and outstanding shares of Essex Cabinet Makers Limited, the remaining two-thirds of the issued and outstanding shares of such company being owned by Economy Home Builders of Windsor Limited. Six of the companies above named have been engaged in house building, nine of such companies have operated as land development companies and three of such companies have engaged in millwork and cabinet making. Economy Home Builders of Ottawa Limited (a wholly owned subsidiary of the Company) owns 50% of the issued and outstanding common shares of four other companies engaged in land development, namely, Vanhurst Construction Company Limited, Diddi Construction Company Limited, Ian Realty Company Limited and Sharel Realty Company Limited. In the case of three of these four land development companies there are outstanding in the aggregate \$600 par value of voting preference shares resulting in the Company controlling only 25% of the voting rights in these three companies. However, due to the small amount represented by these preference shares all four such companies are hereinafter referred to as "50% owned".

With the exception of Morris Construction (Windsor) Limited all the above companies, including those 50% owned, have been affiliated since their incorporation with Economy Home Builders of Windsor Limited. The formation of the Company is the result of the decision of Economy Home Builders of Windsor Limited (together with its affiliated companies) and Morris Construction (Windsor) Limited to merge their operations.

History of Subsidiaries of the Company

For convenience herein, Economy Home Builders of Windsor Limited and its affiliated companies are referred to as the "Economy Group" and Morris Construction (Windsor) Limited is referred to as "Morris".

In 1949 the first company in the Economy Group commenced the construction and sale of quality, low cost homes, financed under the terms of the National Housing Act, in the City of Windsor and its rapidly growing suburb, the Township of Sandwich West.

Commencing in 1953 the Economy Group extended its operations in Western Ontario, developing land and/or building homes in London, Kitchener, Waterloo, Hamilton, Sarnia, Brantford, Stratford, St. Thomas, Chatham, Guelph and Preston. In 1959 land development and home construction were commenced in and around Ottawa.

Soon after its incorporation in 1951 Morris became the other leading builder in the Greater Windsor area. Morris has been active in all phases of the home-building industry, including the assembly and purchase of raw land and the subdivision thereof, the complete installation of services and the construction and sale of finished homes. Morris has developed a particularly strong advertising and merchandising policy.

As a result of the merger of the Economy Group and Morris, management anticipates that net profits after income taxes will be increased substantially. This will be brought about by advantageous centralized purchasing in larger volumes, lower advertising and sales costs and lower administration costs. An important benefit gained from the merger is the increase in depth of experienced personnel at the executive and supervisory levels. Consequently, the Company anticipates no difficulty in implementing its plans for expansion.

Summary of Completed Construction

Since 1950, the Economy Group and Morris have constructed approximately 4,440 homes as indicated by the following schedule, those erected by Morris being in the Greater Windsor area only.

<u>Period</u>	<u>Location</u>	<u>Approximate No. of Homes Constructed and Sold</u>
1950-61	Greater Windsor	2,600
1953-55	Kitchener-Waterloo	200
1955-61	Hamilton	500
1956	Sarnia	20

<u>Period</u>	<u>Location</u>	<u>Approximate No. of Homes Constructed and Sold</u>
1956-58	Brantford	100
1956-60	Stratford	150
1956-57	St. Thomas	40
1956-58	Chatham	70
1956-57	Guelph	150
1956-57	London	135
1956-57	Preston	25
1959-61	Ottawa	450

In 1953-54 the Economy Group erected 96 rental units for senior citizens for the City of Windsor Housing Co. Ltd. In 1959 it completed 48 rental units for Central Mortgage and Housing Corporation in Stratford and in 1960 it completed a similar project, comprised of 96 rental units, in Hamilton. In addition to its home sales, the Economy Group has sold to other builders approximately 725 lots in seven different urban areas.

Current and Future Operations

The Company, directly or through subsidiaries, will carry on the businesses previously carried on by the Economy Group and Morris, consisting of (1) land development, (2) construction of homes and commercial buildings and (3) millwork and cabinet making.

LAND DEVELOPMENT

At the present time the Company, through its subsidiaries and 50% owned companies, holds the following properties for development and sale:

<u>Location</u>	<u>Approximate Amount of Land Held</u>	<u>Zoning</u>
Sandwich West (Windsor)	450 Lots	Residential
Sandwich East (Windsor)	10 Acres	Commercial
Sandwich West (Windsor)	$\frac{3}{4}$ Acre	Industrial
Windsor	$1\frac{1}{2}$ Acres	Industrial
Windsor	70 Lots	Residential
Sandwich West (Windsor)	6 Acres	Multiple Dwelling
Sandwich West (Windsor)	65 Lots	Residential
Sandwich West (Windsor)	800 Feet on Ouellette Ave.	Commercial
Ottawa	$17\frac{1}{2}$ Acres	Multiple Dwelling
Ottawa	770 Lots	Residential
Hamilton	2 Acres	Multiple Dwelling
Hamilton	206 Lots	Residential
Guelph	2 Acres	Multiple Dwelling

250 lots in three areas of Greater Windsor and 200 lots in Hamilton are currently being developed and will be available for construction in 1962. In Ottawa the 50% owned companies are now completing services for 770 lots most of which will be available for construction in 1962. It is important to note that, while profits from land development in the Ottawa area accrue to the companies which are 50% owned, 100% of the profits ensuing from any construction by the Company on such lands will accrue to the Company. The 50% owned companies have under option 700 acres of desirable property in Gloucester Township on the outskirts of Ottawa and the installation of services is now being negotiated with the Township. These services are to include a sewage treatment plant and a water filtration system.

The Company is now negotiating for the purchase of a substantial quantity of raw land for development in the Toronto, Montreal and London areas, as well as for fully serviced building lots in Toronto or Montreal so that house construction may be started in the spring of 1962.

In the future the Company will continue a policy with which the Economy Group has been successful in the past. When the Company expands its operations to a new urban area it will carry out land development in association with local real estate developers, with most of the subsequent construction being done by the Company. This policy has the distinct advantage of making available to the Company local real estate experience in areas in which it has not previously operated and also provides substantial assistance in financing the acquisition of raw land and the installation of services.

CONSTRUCTION

The Company's current home building programme offers 20 different house models with over 100 different exterior elevations. Prices range from a low of \$11,000 to a high of \$25,000 with approximately 70% of sales being made in the \$14,000 to \$18,500 bracket. Approximately 95% of home sales are made to purchasers approved under the terms of the National Housing Act, 1954 and in the majority of cases, purchasers have contracted to buy before construction is commenced. Down payments vary from 5% to 15% of the selling price, depending upon NHA requirements.

Subject to continuing favourable market conditions, the Company's estimated home building programme for 1962 is as follows:

Windsor area (4 subdivisions).....	200 houses
Hamilton.....	100 houses
Ottawa (2 subdivisions).....	350 houses
Toronto or Montreal.....	100 houses
	<u>750</u>

Construction in the Toronto or Montreal areas in 1962 will be dependent upon the early acquisition of serviced lots for which the Company is currently negotiating. Planning has been initiated for the construction of some 350 apartment units in Ottawa and it is possible that construction of these may be commenced in 1962.

MILLWORK AND CABINET MAKING

The Company has a division consisting of three subsidiaries engaged in cabinet making and millwork. These are Essex Cabinet Makers Limited, with plants operating in both Windsor and London, La Salle Cabinets Limited, located in Hamilton and Carlton Cabinets Limited in Ottawa. The first company in this division was set up in 1953 to supply quality cabinets to the Economy Group. Subsequently substantial sales of custom cabinets and millwork, not only for housing but also for commercial, institutional and industrial buildings, have been achieved by all three companies in this division. The majority of sales are now made, not to other subsidiaries of the Company, but to the general building trade with which each subsidiary in the division has achieved a sound reputation for the fabrication of high quality products. Prefabricated house components, such as interior and exterior wall sections, roof trusses, window sections, joists, etc. will be manufactured by this division and it is felt that this type of work will be an increasingly important source of revenue. The companies in this division also handle builders' hardware and it is planned to expand this phase of the business. The Company intends to establish similar operations in Toronto and Montreal by 1963 and is also considering the acquisition of additional businesses in this field.

Investment Properties

The Company intends to implement a policy of investing in real properties for income purposes as favourable opportunities arise and as Company resources permit. The first such investment will be a medium-sized medical centre to be erected by the Company in Windsor, construction to commence in 1962. The Company or a subsidiary may also retain ownership of some or all of the apartment buildings to be erected on property which a subsidiary now owns in Ottawa.

Management

The management of the Company will include Mr. A. Cherniak as Chairman of the Board, Mr. Robert Slutzky, the founder of Economy Home Builders of Windsor Limited, as President and Mr. Morris Tabachnick, the founder of Morris Construction (Windsor) Limited, as Vice-President and Treasurer. They will head the group of energetic executives who have participated in the establishment and successful expansion of these companies. Collectively, the group has had many years' experience in all phases of domestic, commercial and industrial construction, real estate development and cabinet and millwork operations.

Capitalization

Upon completion of the present financing, the capitalization of the Company will be:

	Authorized	Issued and Outstanding
6¼% Convertible Sinking Fund Debentures Series A due April 1, 1977	(1)	\$1,500,000
Shares without par value.....	2,000,000 shs. (2)	940,000 shs.

NOTES:

- (1) The Trust Indenture providing for the issuance of the 6¼% Convertible Sinking Fund Debentures Series A will contain provisions permitting the issuance (subject to certain conditions) of additional Debentures without limitation as to aggregate principal amount and in such currency or currencies as may be determined by the Company.
- (2) 375,000 shares will be reserved for the exercise of conversion privileges attaching to the 6¼% Convertible Sinking Fund Debentures Series A due April 1, 1977. 25,000 shares will also be reserved for issue upon the exercise of stock options proposed to be granted to employees of the Company and its subsidiaries.

Purpose of Issue

The net proceeds from the sale of the securities offered by this prospectus will be used for the repayment of bank and other indebtedness of subsidiaries which, as at February 28, 1962 was \$476,000. The balance of the

proceeds will be used for general corporate purposes, including the expansion of the millwork and cabinet division, the construction of buildings, services and improvements on lands now being developed and the acquisition and development of additional lands by the Company and its subsidiaries.

Consolidated Net Tangible Assets

According to the accompanying pro forma consolidated balance sheet of the Company and its subsidiaries (after financing) as at December 31, 1961, the consolidated net tangible assets amounted to approximately \$1,892 per \$1,000 principal amount of 6¼% Convertible Sinking Fund Debentures Series A to be outstanding.

Certain Provisions of the Trust Indenture

The \$1,500,000 aggregate principal amount of Series A Debentures will be direct obligations of the Company, will be issued under a trust indenture (hereinafter sometimes referred to as the "Trust Indenture") to be dated as of March 15, 1962 and to be entered into between the Company and The Canada Trust Company, as Trustee, and will, in the opinion of Counsel, be secured by

- (i) a first fixed and specific pledge or charge of and on all shares now owned by the Company and/or by any wholly-owned subsidiary of the Company; and
- (ii) a first floating charge under the laws of the Province of Ontario on the undertaking and all other property and assets of the Company in the Province of Ontario now owned or hereafter acquired but subject to an exception as to the last day of the term of any lease or agreement therefor. All the assets of the Company are presently situate in the Province of Ontario.

The first fixed and specific pledge or charge will also be expressed to cover all shares of companies hereafter acquired by the Company and/or by any wholly-owned subsidiary of the Company.

The Trust Indenture is to provide that forthwith upon the Company opening an office in the Province of Quebec a trust deed of hypothec, mortgage and pledge in notarial form (which will be executed concurrently with or after the execution of the Trust Indenture) together with such deeds supplemental thereto as may be requisite shall be duly registered in the Province of Quebec so that the Series A Debentures shall then, in the opinion of counsel, be secured by a first floating charge under the laws of the Province of Quebec on the undertaking and all other property and assets of the Company in that Province then owned, but subject to an exception as to the last day of the term of any lease or agreement therefor. The said first floating charge will also be expressed to cover all future acquired property and assets of the Company in the Province of Quebec and the Company will covenant in the Trust Indenture to effect all such registrations or re-registrations in the Province of Quebec as counsel may advise are requisite to perfect the floating charge in respect of such future acquired property and assets.

The Trust Indenture will not be registered against the real properties of the Company in any Province (other than Quebec) and accordingly the said floating charge, insofar as it relates to such real properties, will be subject to any interests hereafter acquired by third parties in respect of such real properties which, by reason of such non-registration, may rank prior to the said floating charge.

The Trust Indenture will contain provisions permitting the issuance (subject as hereinafter referred to) from time to time of additional Debentures (herein called "Additional Debentures") thereunder without limitation as to aggregate principal amount. Such Additional Debentures will be secured equally and rateably with the Series A Debentures save only as to sinking fund provisions applicable to different issues. The principal, premium, if any, and interest of and on such Additional Debentures may be payable in such currency or currencies as may be determined by the Company at the time of the issue thereof.

The Trust Indenture will provide, among other things, that so long as any of the Series A Debentures remain outstanding:

- A. The Company or any subsidiary may, subject as hereinafter provided,
 - (i) assume or give any purchase money mortgage or other purchase money lien on property acquired by the Company or by any subsidiary after March 15, 1962 provided that any such mortgage or lien is a first mortgage or lien and is limited to the property so acquired; or
 - (ii) acquire property subject to any mortgage, lien, charge or encumbrance thereon at the time of such acquisition, provided that any such mortgage, lien, charge or encumbrance is limited to the property so acquired; or
 - (iii) extend, renew or refund any mortgage, lien, charge or encumbrance permitted under subdivisions (i) or (ii) hereof provided that no further property shall be encumbered upon such extension, renewal or refunding; or
 - (iv) give security by way of a building mortgage to secure a building loan for the construction by the Company or any subsidiary of any industrial, commercial or residential property, provided that such building mortgage is a first mortgage and is limited to such property and the lands related thereto; or

- (v) give security by way of a collateral mortgage to a municipal corporation, or by way of a bond or debenture (secured by a collateral mortgage) hypothecated to a bank to obtain a letter of credit, to secure the performance by the Company or any subsidiary of the provisions of any agreement entered into with any municipal corporation by the Company or any subsidiary providing for the provision or installation of roads, lanes, reserves or other areas, public utilities or services required by such municipal corporation to be dedicated, conveyed or installed, including, without limiting the foregoing, sewers, sewage disposal plants, water pumping stations, water mains, electric power utilities, telephone lines and all conduits, poles, wires and other plant or equipment necessary thereto, provided that any such collateral mortgage is limited to the lands being or to be developed and in respect of which such municipal corporation has required such roads, lanes, reserves or other areas, public utilities or services to be dedicated, conveyed or installed; or
- (vi) create or increase any first charge or mortgage on any lands and/or premises from time to time owned or held by the Company or any subsidiary.

Subject to the foregoing and as hereinafter provided, neither the Company nor any subsidiary will mortgage, hypothecate, charge, pledge or otherwise encumber any of its assets to secure any moneys, debts, liabilities, bonds, debentures, notes or other obligations other than the Debentures issued under the Trust Indenture (hereinafter called the "Debentures") unless at the same time it shall secure equally and rateably with such moneys, debts, liabilities, bonds, debentures, notes or other obligations all the Debentures then outstanding.

B. No Additional Debentures or other funded obligations of the Company will be issued under the Trust Indenture or otherwise having a maturity date prior to April 1, 1977 other than Debentures or other obligations maturing serially.

C. The aggregate amount payable in any year, in respect of any issue of funded obligations of the Company issued after the issue of the Series A Debentures, to meet serial maturities and/or mandatory sinking fund payments (which in the case of a sinking fund payment to retire a specified principal amount shall for the purposes of this Clause be deemed to be the principal amount so to be retired) shall not be greater than 1/15th of the aggregate principal amount issued of the funded obligations of such issue, unless the annual sinking fund payments in respect of the Series A Debentures are increased proportionately.

D. The Company will not issue any Additional Debentures under the Trust Indenture or issue or become liable on any other funded obligations unless

- (a) the consolidated net tangible assets of the Company and its subsidiaries shall be equal to at least twice the principal amount of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be; and
- (b) the consolidated net earnings of the Company and its subsidiaries for the last completed fiscal year next preceding such issue or next preceding the Company so becoming liable, as the case may be, shall have been at least equal to four times the aggregate annual interest requirements of all consolidated funded obligations of the Company and its subsidiaries to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be.

Provided that, for all purposes of the Trust Indenture, any funded obligations outstanding at the time of any such issue or of the Company so becoming liable, as the case may be, which are to be retired within one week following such time shall be deemed not to be outstanding immediately after such issue or immediately after the Company so becoming liable, as the case may be, provided that all moneys required to retire such funded obligations are paid to the Trustee at such time or the payment of such moneys is provided for to the satisfaction of the Trustee at such time.

E. The Company will not

- (i) declare or pay any dividends (other than in shares of the Company) on any of its shares at any time outstanding or
- (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding (except out of the proceeds of an issue of shares made at any time after April 15, 1962 and prior to or contemporaneously with any such redemption, reduction, purchase or payment off)

unless immediately after giving effect to such action the aggregate amount

- (a) declared and/or paid subsequent to the incorporation of the Company as dividends (other than in shares of the Company) on all shares of all classes of the Company and

- (b) distributed and/or paid (on redemption, reduction, purchase or other payment off) subsequent to the incorporation of the Company in respect of all shares of all classes of the Company

will not be more than the aggregate of the consolidated net earnings available for dividends of the Company and its subsidiaries subsequent to the incorporation of the Company plus the net cash proceeds to the Company of the issue after April 15, 1962 of any of its shares.

F. The Company will not permit any subsidiary to guarantee any indebtedness or dividends of or give any other guarantee on behalf of any person, firm or corporation other than the Company or any other subsidiary or any other corporation or company of which at least 50% of the outstanding voting shares (as defined) are for the time being owned by or held for the Company and/or any subsidiary of the Company.

G. Except as hereinafter provided, the Company will not sell or otherwise dispose of any funded obligations or shares of any subsidiary nor will it (except as hereinafter provided) permit any subsidiary to issue, sell or otherwise dispose of or become liable on (except to the Company or to a subsidiary of which such subsidiary is a subsidiary) any funded obligations or shares of such subsidiary or of any other subsidiary.

H. Subject to certain exceptions to be set forth in the Trust Indenture, the Company will not sell or otherwise dispose of by conveyance, transfer, lease or otherwise the assets and undertaking of the Company as an entirety or substantially as an entirety.

I. Subject to the provisions of the Trust Indenture the Company or any subsidiary will have the right, until the security constituted by the Trust Indenture shall have become enforceable and the Trustee shall have determined or become bound to enforce the same, to sell or otherwise dispose of or to redeem or purchase for cancellation any shares which have been subjected to a first fixed and specific pledge or charge securing the Debentures (such shares being hereinafter called "pledged shares"). The net proceeds of any sale or other disposal by the Company or any subsidiary of, and the amount paid to the Company or any subsidiary on any redemption or purchase for cancellation of, any pledged shares shall be applied by the Company or the Trustee towards the retirement of Debentures to the extent that the said net proceeds or amount paid on redemption or purchase for cancellation are not used by the Company or a subsidiary within a period of two years after such sale, disposal, redemption or purchase for cancellation (a) in acquiring shares of other companies which are subjected to a first fixed and specific pledge or charge securing the Debentures, or (b) in the acquisition of land, buildings, plant or equipment by the Company or any wholly-owned subsidiary. Any Debentures so retired are not to be retired through a sinking fund and are not to constitute a sinking fund credit.

The foregoing Clauses A to I inclusive and the said floating charge shall not apply to nor operate to prevent

- (i) the giving of security or securities (to rank in priority to the said floating charge in the case of security given by the Company) by the Company or a subsidiary to any bank or banks or to any other lending institution for present or future debts or liabilities of the Company or such subsidiary to such bank or banks or lending institution provided that such debts or liabilities do not constitute funded obligations and provided further that such security or securities may not be given on fixed assets; or
- (ii) the deposit of cash or obligations of the Government of Canada or of any municipality in which the Company or any subsidiary carries on business or proposes to carry on business at the date of such deposit in connection with contracts or tenders in the ordinary course of business or to secure workmen's compensation, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, liens or claims incident to current construction, mechanics', warehousemen's, carriers' and other similar liens; or
- (iii) the extension, renewal or refunding by a subsidiary of any funded obligations of such subsidiary to the extent of the principal amount of such funded obligations at the time of such extension, renewal or refunding provided that such funded obligations were funded obligations of the subsidiary at the time when such subsidiary became a subsidiary; or
- (iv) the amalgamation or merger of any subsidiary with any other subsidiary or subsidiaries; or
- (v) the securing from time to time by a subsidiary of any funded obligations permitted under sub-division (iii) of this sub-paragraph; or
- (vi) the sale by the Company or any subsidiary to any subsidiary or the Company of any pledged shares if such pledged shares remain subject to a first fixed and specific pledge or charge securing the Debentures.

The Trust Indenture will provide that the directors may from time to time determine the consolidated net tangible assets of the Company and its subsidiaries and/or the consolidated net earnings available for dividends of the Company and its subsidiaries as of any date or for any period in the manner and with the

effect to be set forth in the Trust Indenture. There may be included in any such determination of consolidated net tangible assets of the Company and its subsidiaries as tangible assets the net proceeds or estimated net proceeds of the sale of any shares, bonds, debentures and/or other obligations of the Company (except as otherwise provided and except to the extent that such net proceeds or estimated net proceeds have been or are to be applied within one year thereafter to the redemption, reduction, purchase or paying off of any shares of the Company, as to which a resolution of the directors setting out the application or proposed application of any such net proceeds or estimated net proceeds shall be conclusive and binding) issued and/or agreed to be issued (prior to the making of such determination) for cash notwithstanding that such shares, bonds, debentures and/or other obligations may have been issued and/or agreed to be issued subsequent to the date as of which the determination is made.

The Trust Indenture will provide that if any property or any shares of any other company (sufficient with any other shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) have been acquired or are in the process of being acquired or are proposed to be acquired by the Company or any subsidiary at the time of determining consolidated net tangible assets of the Company and its subsidiaries and/or consolidated funded obligations of the Company and its subsidiaries and/or consolidated net earnings of the Company and its subsidiaries and if such property or shares have been or are to be acquired out of the net proceeds of any issue of funded obligations or shares of the Company or if the net proceeds of any such funded obligations or shares have directly or indirectly reimbursed the Company or are directly or indirectly to reimburse the Company for the cost of the acquisition of such property or shares, as to all of which a resolution of the directors shall be conclusive and binding, then (i) the tangible assets of or comprised in such property or such other company (provided that the net proceeds or estimated net proceeds of the sale of the then proposed issue of funded obligations are not included in such determination of consolidated net tangible assets as tangible assets), the liabilities of or pertaining to such property or such other company and the funded obligations of or attached to such property or such other company (calculated in accordance with the provisions of the Trust Indenture respecting consolidated net tangible assets and consolidated funded obligations) shall be treated as tangible assets and/or liabilities and/or funded obligations in the computation of consolidated net tangible assets and/or consolidated funded obligations and (ii) the net earnings or net losses of such property or such other company (calculated in accordance with the provisions of the Trust Indenture respecting consolidated net earnings) for the whole of the period for which consolidated net earnings are to be computed shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of consolidated net earnings.

The Trust Indenture will contain definitions of certain of the terms used above as set forth in the statutory information forming part of this prospectus.

Sinking Fund

Under the Trust Indenture the Company will covenant to establish a sinking fund to provide for the retirement of \$100,000 principal amount of Series A Debentures on April 1 in each of the years 1963 to 1976 inclusive. Such sinking fund and the retirement of a further \$100,000 principal amount of Series A Debentures at maturity will provide for the retirement of the Series A Debentures in full.

The Company is to be entitled to purchase Series A Debentures in the market or by private contract at prices not exceeding the redemption price current at the time of purchase in respect of Series A Debentures redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase. All Series A Debentures purchased or redeemed (except Series A Debentures purchased or redeemed out of sinking fund moneys) and all Series A Debentures converted into shares (except such as were converted after having been called for redemption out of sinking fund moneys) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in denominations of \$500 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter. The Company is to have the right to elect on or before February 15 in each of the years 1963 to 1976 inclusive to apply a specified principal amount of the Series A Debentures forming such credit in satisfaction in whole or in part of the sinking fund payment required to be made prior to April 1 of such year and the Company will be required to pay into such sinking fund prior to April 1 of such year the sum in cash required to retire on that date \$100,000 principal amount of Series A Debentures less a principal amount of Series A Debentures equal to the principal amount of such Series A Debentures so applied. Such cash paid to the Trustee is to be applied in the retirement of Series A Debentures by call for redemption on April 1 of such year at the principal amount thereof together with accrued interest to the date specified for redemption, provided that such call need not be made if the moneys in the sinking fund and required to be paid into the sinking fund are less than \$10,000 and in such case such moneys may be used by the Trustee in purchasing for cancellation Series A Debentures at a price not exceeding the redemption price current at the time of purchase in respect of Series A Debentures redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase. Forthwith after any date specified for the redemption of Series A Debentures out of sinking fund moneys the Trustee is to pay and return to the Company the sum

required to retire on that date out of the sinking fund the principal amount of Series A Debentures so called for redemption but converted into shares and accordingly not redeemed. The Company is to covenant and agree in the Trust Indenture to pay to the Trustee on demand its cost of giving notice of redemption of Series A Debentures out of sinking fund moneys and any other expenses in connection therewith.

Conversion Privilege

The Series A Debentures will be convertible, at the option of the holder, at any time prior to the close of business on March 31, 1977 or on the last business day immediately preceding the date fixed for redemption of such Debentures, whichever is earlier, into fully paid and non-assessable shares without par value in the capital of the Company (as presently constituted). The Series A Debentures are to be convertible at six rates (in order of conversions) as follows:

- (i) 125 shares per \$500 principal amount (being at the price of \$4 per share);
- (ii) 100 shares per \$500 principal amount (being at the price of \$5 per share);
- (iii) 83 shares per \$500 principal amount (being at the price of approximately \$6 per share);
- (iv) 72 shares per \$500 principal amount (being at the price of approximately \$7 per share);
- (v) 63 shares per \$500 principal amount (being at the price of approximately \$8 per share);
- (vi) 56 shares per \$500 principal amount (being at the price of approximately \$9 per share).

The aggregate principal amount of Series A Debentures convertible from time to time at each of the said rates will initially be \$250,000 but after the redemption and/or purchase for cancellation of any of the Series A Debentures the aggregate principal amount of Series A Debentures convertible from time to time thereafter at each of the first five of the said rates will be determined by deducting from \$250,000 either one-sixth of the aggregate principal amount of Series A Debentures redeemed and/or purchased for cancellation up to the time of each determination or if the said one-sixth is not an even multiple of \$500 then by deducting from \$250,000 the next lowest multiple of \$500 less than the said one-sixth and the remainder of the Series A Debentures will be convertible at the last rate. The rate at which any Series A Debentures tendered for conversion are to be converted will be determined with respect thereto by deducting from the principal amount of Series A Debentures convertible at each rate determined as above, commencing with the rate entitling the holders of Series A Debentures to the greatest number of shares per \$500 principal amount of Series A Debentures converted, the aggregate principal amount of Series A Debentures previously converted into shares and on the basis that conversions of Series A Debentures shall be made in the order in which the same are tendered for conversion.

Notwithstanding the above, all Series A Debentures called for redemption at the same time (otherwise than out of sinking fund moneys) shall then be convertible at the same rate, such rate to be the rate prevailing at the time when notice of redemption is given to the holders of such Series A Debentures.

Upon any conversion Series A Debentures shall be taken at the principal amount thereof and no allowance will be made for accrued interest (if any) to the date of conversion or in respect of dividends on the shares issuable upon conversion. The Trust Indenture will contain provisions for appropriate adjustment of the conversion privilege in certain events.

CAPITAL BUILDING INDUSTRIES LIMITED

Statement of Combined Earnings of Subsidiaries Acquired For the Ten Years Ended December 31, 1961 (Note 1)

	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961
Gross profit from:										
House construction.....	\$204,713	\$380,007	\$551,309	\$754,029	\$425,111	\$493,916	\$675,619	\$738,470	\$566,180	\$ 721,601
Land.....		18,125	23,639	32,141	43,754	242,567	189,874	108,396	115,307	133,832
Millwork and cabinet making..		13,823	25,948	75,107	108,819	122,812	117,390	117,584	180,093	282,322
Other construction, etc.....	50	2,962	25,696	59,656	18,526	1,407	15,397	3,030	6,943	42,053
	204,763	414,917	626,592	920,933	596,210	860,702	998,280	967,480	868,523	1,179,808
Operating expenses										
Selling, general and administrative expenses.....	104,384	197,080	317,129	471,879	659,157	458,846	657,098	719,898	624,042	741,549
Operating profit (loss).....	100,379	217,837	309,463	449,054	(62,947)	401,856	341,182	247,582	244,481	438,259
Other income (Note 2).....	1,884	2,831	11,417	18,838	33,899	29,939	21,041	41,829	42,416	52,223
	102,263	220,668	320,880	467,892	(29,048)	431,795	362,223	289,411	286,897	490,482
Other deductions										
Interest expense.....	12,936	7,845	14,629	32,658	106,549	107,045	78,502	66,395	68,711	33,894
Income before depreciation.....	89,327	212,823	306,251	435,234	(135,597)	324,750	283,721	223,016	218,186	456,588
Depreciation.....	8,821	15,059	20,278	41,220	38,147	56,758	46,629	42,823	26,059	27,387
	80,506	197,764	285,973	394,014	(173,744)	267,992	237,092	180,193	192,127	429,201
Non-recurring income.....		1,405	281	5,234	1,144		532		5,797	322
	80,506	199,169	286,254	399,248	(172,600)	267,992	237,624	180,193	197,924	429,523
Share of profits after income taxes from affiliated companies not combined herein (Note 3).....								7,854	22,910	87,265
Net income before income taxes	80,506	199,169	286,254	399,248	(172,600)	267,992	237,624	188,047	220,834	516,788
Income taxes (Notes 4 and 5)...	14,830	84,151	117,816	73,081	21,026	50,887	56,679	55,187	40,974	72,610
Net income (loss).....	\$ 65,676	\$115,018	\$168,438	\$326,167	(\$193,626)	\$217,105	\$180,945	\$132,860	\$179,860	\$ 444,178

The following notes to the above statement of combined earnings are an integral part thereof and should be read in conjunction therewith.

NOTE 1.

The statement of combined earnings reflects the operations of the following 18 companies:

- Economy Home Builders of Windsor Limited
- Economy Home Builders of London Limited
- Economy Home Builders of Ottawa Limited
- Economy Homes of Hamilton Limited
- Economy Homes of Ottawa Limited
- Morris Construction (Windsor) Limited
- Builders Realty Limited
- C & R Realty Limited
- Daro Construction Company Limited
- G & L Realty Limited
- Gernald Company Limited
- Hamsor Realty Limited
- Rochar Realty Limited
- Sandwich West Construction Company Limited
- Wentex Realty Limited
- Carlton Cabinets Limited
- Essex Cabinet Makers Limited
- La Salle Cabinets Limited

During the ten years ended December 31, 1961 these companies have had fiscal years ending on various dates. In 1961 those companies having a fiscal year ending other than on December 31 changed their fiscal year ends to December 31. The earnings of those companies which had fiscal years ending other than on December 31, as shown on their audited annual financial statements, have been pro-rated to a calendar year basis.

NOTE 2.

Other income is comprised of interest earned, commissions earned and sundry income.

NOTE 3.

Economy Home Builders of Ottawa Limited owns 50% of the issued common shares of:

Diddi Construction Company Limited
Ian Realty Company Limited
Sharel Realty Company Limited
Vanhurst Construction Company Limited

It has been the policy of Economy Home Builders of Ottawa Limited to record in its accounts 50% of the net income of these companies.

NOTE 4.

Economy Homes of Ottawa Limited leased the land and building located at 33 University Avenue West, Windsor, Ontario, for a period of ten years commencing December 15, 1961, with options to renew for ten further periods of ten years each and with the option to purchase such land and building at a price of \$200,000, the option to purchase to be exercisable at any time between September 14, 2071 and December 14, 2071 or, under certain circumstances, prior to an earlier event. The terms of the lease provide for the following annual rental payments (in addition to realty taxes and other charges to be borne by Economy Homes of Ottawa Limited):

December 15, 1961 to December 14, 2031.....	\$51,600
December 15, 2031 to December 14, 2041.....	56,600
December 15, 2041 to December 14, 2051.....	61,600
December 15, 2051 to December 14, 2061.....	66,600
December 15, 2061 to December 14, 2071.....	71,600

In the event that the net annual profit arising from the demised premises exceeds \$3,500 in any year, Economy Homes of Ottawa Limited will be required to pay one-half of the excess as additional rent.

Economy Homes of Ottawa Limited intends to claim capital cost allowance on the basis that under present income tax laws it is not permitted to charge off as an expense the rent payable by it under the lease and that for tax purposes Economy Homes of Ottawa Limited is deemed to have acquired such land and building at a capital cost equal to the aggregate of all rents payable by Economy Homes of Ottawa Limited over the whole term of the lease, plus the price at which the option to purchase may be exercised. On this basis, Economy Homes of Ottawa Limited is proposing to take capital cost allowance at the rate of 5% per annum on the decreasing balance, or in such lesser amount as may be deemed advisable, on a capital cost of \$6,176,000, being the aggregate of all fixed rents payable over the whole term of the lease plus the option price, less the fair market value as of December 15, 1961 of the land upon which the building stands. Accordingly, no provision for income taxes in the accounts of Economy Homes of Ottawa Limited has been made for the period ended December 31, 1961. In the event that this basis of claiming capital cost allowance is not permitted, the resulting income taxes payable by Economy Homes of Ottawa Limited in respect of the period ended December 31, 1961 would amount to \$89,274, with a corresponding reduction in the net income for 1961.

NOTE 5.

Income taxes have been pro-rated to a calendar year basis.

During the years 1952—1961, many of the companies referred to in Note 1 were not associated under the provisions of Section 39 of the Income Tax Act. All of these companies are now associated with each other. If they had been so associated prior to 1962 the following additional income taxes would have been payable:

1952—\$ 3,640	1957—\$40,249
1953— 15,592	1958— 42,597
1954— 23,542	1959— 51,043
1955— 22,929	1960— 40,546
1956— 9,441	1961— 68,333

Auditors' Report

We have examined the statement of combined earnings of subsidiaries acquired by Capital Building Industries Limited for the ten years ended December 31, 1961. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

For the nine years ended December 31, 1960, we relied upon financial statements reported upon by other independent accountants.

Based on such examination and the reports of other independent accountants, we report that, in our opinion, the accompanying statement of combined earnings of subsidiaries acquired by Capital Building Industries Limited, with the notes thereto, presents fairly the results of their operations for the ten years ended December 31, 1961.

Toronto, Ontario
March 23, 1962

(Signed) VISE, RUMACK, SEIGEL, KURTZ & Co.
Chartered Accountants

CAPITAL BUILDING INDUSTRIES

Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet before financing gives effect to the following:

1. The incorporation of Capital Building Industries Limited by Letters Patent dated February 16, 1962 issued under the laws of the Province of Ontario.
2. The issue and sale of 3 shares for \$3 payable in cash.
3. The acquisition by Capital Building Industries Limited of shares of certain companies (having an aggregate net book value of \$1,529,351 as at December 31, 1961) in exchange for 749,997 fully paid shares.

The pro forma consolidated balance sheet after financing gives effect to the following:

1. The incorporation of Capital Building Industries Limited by Letters Patent dated February 16, 1962 issued under the laws of the Province of Ontario.

Assets

	Pro Forma Consolidated Balance Sheet Before Financing	Pro Forma Consolidated Balance Sheet After Financing
Cash	\$ 3	\$ 699,161
Accounts receivable (after deducting \$9,685 allowance for doubtful accounts)	265,042	265,042
Mortgage draws receivable	248,740	248,740
Real estate held for sale, at cost (Note 1)	2,274,645	2,274,645
Inventory of materials: at lower of cost or market	86,171	86,171
Mortgages receivable (after deducting \$21,276 allowance for doubtful accounts)	294,676	294,676
Bonds—at cost	32,312	32,312
Advances to employees	16,291	16,291
Land purchase deposits	11,882	11,882
Sundry deposits	6,373	6,373
Prepaid expenses and sundry assets	84,501	84,501
Advances to affiliated companies	97,520	97,520
Equity in affiliated companies (Note 2)	118,429	118,429
Land, buildings and equipment— at cost, less accumulated depreciation of \$150,286	165,227	165,227
Deferred charges	8,326	8,326
Excess of cost of shares of a subsidiary over equity acquired therein	32,301	32,301
Organization expenses	1,990	1,990
Debenture discount, preliminary and financing expenses	—	167,500
	<u>\$3,744,429</u>	<u>\$4,611,087</u>

Approved on behalf of the Board

(Signed) A. D. CHERNIAK, *Director*

(Signed) M. TABACHNICK, *Director*

MITED AND SUBSIDIARIES

heets as at December 31, 1961

2. The issue and sale of 3 shares for \$3 payable in cash.
3. The acquisition by Capital Building Industries Limited of shares of certain companies (having an aggregate net book value of \$1,529,351 as at December 31, 1961) in exchange for 749,997 fully paid shares.
4. The issue and sale of \$1,500,000 aggregate principal amount of 6¼% Convertible Sinking Fund Debentures Series A maturing April 1, 1977 and 190,000 shares for an aggregate consideration of \$1,407,500, of which \$20,000 is allocated to the shares.
5. The retirement of bank indebtedness of subsidiaries in the amount of \$442,885.
6. The repayment of advances from other companies to subsidiaries in the amount of \$178,500.
7. The repayment of net advances from shareholders to subsidiaries in the amount of \$31,957.
8. The payment of preliminary expenses and expenses of issue, estimated at \$55,000.

Liabilities

	Pro Forma Consolidated Balance Sheet Before Financing	Pro Forma Consolidated Balance Sheet After Financing
Bank indebtedness (secured).....	\$ 442,885	\$ —
Accounts payable and accrued liabilities.....	791,265	791,265
Deposits on real estate sales.....	28,796	28,796
Estimated liability for required construction and development costs of real estate sold (Note 3).....	100,106	100,106
Mortgages payable and balances owing on agreements for sale.....	548,708	548,708
Loans payable.....	40,260	40,260
Sundry liabilities.....	6,854	6,854
Corporation income taxes payable.....	45,744	45,744
Advances from other companies.....	178,500	—
Advances from shareholders.....	31,957	—
	<u>2,215,075</u>	<u>1,561,733</u>
6¼% Convertible Sinking Fund Debentures Series A maturing April 1, 1977 (Note 4).....	—	1,500,000
SHAREHOLDERS' EQUITY		
Capital Stock		
<i>Authorized</i>		
2,000,000 shares without par value (Note 5)		
<i>Issued and Fully Paid</i>		
750,000 shares.....	1,529,354	—
940,000 shares.....	—	1,549,354
	<u>\$3,744,429</u>	<u>\$4,611,087</u>

Contractual obligations (Note 6)

Contingent liabilities (Note 6)

The accompanying notes to the two pro forma consolidated balance sheets are an integral part thereof and should be read in conjunction therewith.

CAPITAL BUILDING INDUSTRIES LIMITED AND SUBSIDIARIES

Notes to Pro Forma Consolidated Balance Sheets

NOTE 1.

Real estate held for sale consists of the following:

Land.....	\$1,477,472
Land improvements and building construction costs.....	1,914,726
Deferred indirect expenses on units under construction.....	153,583
	<u>\$3,545,781</u>
Less: Mortgage advances.....	1,271,136
	<u>\$2,274,645</u>

NOTE 2.

Equity in affiliated companies consists of 50% of the issued common share capital and retained earnings of the following companies:

Diddi Construction Company Limited.....	\$ 30,524
Ian Realty Company Limited.....	30,740
Sharel Realty Company Limited.....	4,502
Vanhurst Construction Company Limited.....	52,663
	<u>\$ 118,429</u>

NOTE 3.

Estimated liability for required construction and development costs of real estate sold comprises all costs necessary to complete construction as estimated by management.

NOTE 4.

The 6¼% Convertible Sinking Fund Debentures Series A are to be issued pursuant to a Trust Indenture which will provide for the issuance (subject to certain conditions) of additional Debentures without limitation as to aggregate principal amount and in such currency or currencies as may be determined by the Company. In the said Trust Indenture the Company is to covenant to establish a sinking fund to provide for the retirement of \$100,000 aggregate principal amount of 6¼% Convertible Sinking Fund Debentures Series A on April 1 in each of the years 1963 to 1976 inclusive. The said Trust Indenture will provide for certain restrictions on the payment of dividends on the shares without par value of the Company.

NOTE 5.

375,000 shares are to be reserved for issuance upon the exercise of conversion privileges attached to the 6¼% Convertible Sinking Fund Debentures Series A due April 1, 1977. 25,000 shares will also be reserved for issue upon the exercise of stock options proposed to be granted to employees of the Company and its subsidiaries.

NOTE 6.

Economy Homes of Ottawa Limited leased the land and building located at 33 University Avenue West, Windsor, Ontario, for a period of ten years commencing December 15, 1961, with options to renew for ten further periods of ten years each and with the option to purchase such land and building at a price of \$200,000, the option to purchase to be exercisable at any time between September 14, 2071 and December 14, 2071 or, under certain circumstances, prior to an earlier event. The terms of the lease provide for the following annual rental payments (in addition to realty taxes and other charges to be borne by Economy Homes of Ottawa Limited):

December 15, 1961 to December 14, 2031.....	\$51,600
December 15, 2031 to December 14, 2041.....	56,600
December 15, 2041 to December 14, 2051.....	61,600
December 15, 2051 to December 14, 2061.....	66,600
December 15, 2061 to December 14, 2071.....	71,600

In the event that the net annual profit arising from the demised premises exceeds \$3,500 in any year, Economy Homes of Ottawa Limited will be required to pay one-half of the excess as additional rent.

Economy Homes of Ottawa Limited intends to claim capital cost allowance on the basis that under present income tax laws it is not permitted to charge off as an expense the rent payable by it under the lease and that for tax purposes Economy Homes of Ottawa Limited is deemed to have acquired such land and building at a capital cost equal to the aggregate of all rents payable by Economy Homes of Ottawa Limited over the whole term of the lease, plus the price at which the option to purchase may be exercised. On this basis, Economy Homes of Ottawa Limited is proposing to take capital cost allowance at the rate of 5% per annum on the decreasing balance, or in such lesser amount as may be deemed advisable, on a capital cost of \$6,176,000, being the aggregate of all fixed rents payable over the whole term of the lease plus the option price, less the fair market value as of December 15, 1961 of the land upon which the building stands. Accordingly, no provision for income taxes in the accounts of Economy Homes of Ottawa Limited has been made for the period ended December 31, 1961. In the event that this basis of claiming capital cost allowance is not permitted, the resulting income taxes payable by Economy Homes of Ottawa Limited in respect of the period ended December 31, 1961 would amount to \$89,274, with a corresponding increase in corporation income taxes payable.

Auditors' Report

We have examined the pro forma consolidated balance sheets before financing and after financing of Capital Building Industries Limited and subsidiaries as at December 31, 1961. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying pro forma consolidated balance sheets before financing and after financing of Capital Building Industries Limited and subsidiaries, with the notes thereto, present fairly the financial position of the companies consolidated therein as at December 31, 1961, after giving effect to the transactions on which they are based.

Toronto, Ontario
March 23, 1962

(Signed) VISE, RUMACK, SEIGEL, KURTZ & Co.
Chartered Accountants

Statutory Information

1. The full name of the Company is Capital Building Industries Limited (hereinafter called the "Company") and the address of its head office is 33 University Avenue West, Windsor, Ontario.
2. The Company was incorporated as a private company under the laws of the Province of Ontario by letters patent dated the 16th day of February, 1962; supplementary letters patent dated the 15th day of March, 1962 have been issued to the Company converting it into a public company.
3. The general nature of the business actually transacted or to be transacted by the Company, directly or through subsidiaries, is the acquisition, development and subdivision of lands, the construction and sale of homes, the construction, sale, lease and management of commercial and industrial buildings and millwork and cabinet making.
4. The names in full, present occupations and home addresses of the directors and officers of the Company are as follows:

Directors

ARCHIE DAVID CHERNIAK.....	<i>Executive</i>	2132 Victoria Avenue, Windsor, Ontario
CHARLES CRAIGMYLE LAWSON.....	<i>Executive</i>	190 Delaware Avenue, Hamilton, Ontario
HUGH VICTOR SHAW.....	<i>Investment Dealer</i>	856 Sunningdale Bend, Clarkson, Ontario
ROBERT SLUTZKY.....	<i>Executive</i>	4661 West Outer Drive, Detroit, Michigan
CHARLES LAWRENCE TABACHNICK.....	<i>Executive</i>	3714 Victoria Blvd., Windsor, Ontario
MORRIS TABACHNICK.....	<i>Executive</i>	3041 Raddison Avenue, Windsor, Ontario
JOSEPH WILLIAM VICKERS.....	<i>Executive</i>	820 Glenwood Avenue, Burlington, Ontario

Officers

ARCHIE DAVID CHERNIAK.....	<i>Chairman of the Board</i>	2132 Victoria Avenue, Windsor, Ontario
ROBERT SLUTZKY.....	<i>President and General Manager</i>	4661 West Outer Drive, Detroit, Michigan
MORRIS TABACHNICK.....	<i>Vice-President and Treasurer</i>	3041 Raddison Avenue, Windsor, Ontario
CHARLES LAWRENCE TABACHNICK.....	<i>Secretary</i>	3714 Victoria Blvd., Windsor, Ontario

5. The auditors of the Company are Messrs. Vise, Rumack, Seigel, Kurtz & Company, Chartered Accountants, 491 Lawrence Avenue West, Toronto, Ontario.

6. The Transfer Agent and Registrar for the shares of the Company will be The Royal Trust Company at its principal offices in the Cities of Toronto, Montreal, Winnipeg and Vancouver.

The Canada Trust Company will be the Trustee for the 6¼% Convertible Sinking Fund Debentures Series A (herein sometimes called the "Series A Debentures") hereinafter mentioned and registers upon which Series A Debentures may be registered as to principal and upon which fully registered Series A Debentures shall be registered as to principal and interest and upon which transfers of Series A Debentures so registered are to be made will be kept by the said Trustee at its principal offices in the Cities of Montreal, Toronto, Winnipeg and Vancouver.

7. The authorized share capital of the Company consists of 2,000,000 shares without par value, of which 750,000 shares have been issued and are outstanding as fully paid and non-assessable. Each share carries the right to one (1) vote at all meetings of shareholders.

8. The \$1,500,000 aggregate principal amount of 6¼% Convertible Sinking Fund Debentures Series A offered by this prospectus are to be issued under a trust indenture (herein sometimes referred to as the "Trust Indenture") to be dated as of March 15, 1962 and to be entered into between the Company and The Canada Trust Company, as Trustee. The Series A Debentures are to be direct obligations of the Company and are, in the opinion of counsel, to be secured by

- (i) a first fixed and specific pledge or charge of and on all shares now owned by the Company and/or by any wholly-owned subsidiary of the Company; and
- (ii) a first floating charge under the laws of the Province of Ontario on the undertaking and all other property and assets of the Company in the Province of Ontario now owned or hereafter acquired but subject to an exception as to the last day of the term of any lease or agreement therefor.

The Trust Indenture is to provide that forthwith upon the Company opening an office in the Province of Quebec a trust deed of hypothec, mortgage and pledge in notarial form (which will be executed concurrently with or after the execution of the Trust Indenture) together with such deeds supplemental thereto as may be requisite shall be duly registered in the Province of Quebec so that the Series A Debentures shall then, in the opinion of counsel, be secured by a first floating charge under the laws of the Province of Quebec on the undertaking and all other property and assets of the Company in that Province then owned, but subject to an exception as to the last day of the term of any lease or agreement therefor. The said first floating charge will also be expressed to cover all future acquired property and assets of the Company in the Province of Quebec and the Company will covenant in the Trust Indenture to effect all such registrations or re-registrations in the Province of Quebec as counsel may advise are requisite to perfect the floating charge in respect of such future acquired property and assets.

Certain particulars pertaining to the Series A Debentures and to certain provisions of the Trust Indenture are set forth on pages 2 and 3 of this prospectus and under the headings "Certain Provisions of the Trust Indenture", "Sinking Fund" and "Conversion Privilege" on pages 7 to 11 inclusive of this prospectus, to all of which reference is hereby expressly made. The Trust Indenture is to provide that Series A Debentures redeemed or purchased are to be cancelled and not reissued.

The Trust Indenture is to contain definitions of the following terms substantially to the following effect:

"Funded obligations" means (a) the Debentures from time to time outstanding under the Trust Indenture, (b) any indebtedness not secured by any mortgage, lien or charge and the principal amount of which by its terms is not payable on demand and matures more than twelve months after the date of the creation or issuance thereof, and (c) any liability (contingent or otherwise) in respect of any guarantee by the Company or any subsidiary of any such indebtedness of any person, firm or corporation other than the Company or a subsidiary.

"Consolidated funded obligations" of the Company and its subsidiaries means the aggregate amount of all funded obligations of the Company and all its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice.

"Consolidated net tangible assets" of the Company and its subsidiaries means the excess of the total of the tangible assets over the total of the liabilities of the Company and all its subsidiaries arrived at on a consolidated basis in accordance with generally accepted accounting practice; provided always that in calculating consolidated net tangible assets due allowance shall be made for the minority interest, if any, in any subsidiary.

"Tangible assets" means lands, buildings and all other physical assets and all current assets and all investments (including notes, mortgages, advances and other amounts receivable, all of which shall be deemed to be included in the term "investments" as used herein) and all other assets appearing on a balance sheet of the Company, or if it has any subsidiaries, on a consolidated balance sheet of the Company and all its subsidiaries, prepared in accordance with generally accepted accounting practice, excluding the amount, if any, at

which goodwill, trade marks, trade mark rights, trade names, trade name rights, copyrights, patents, patent rights and patent licences and other similar intangible assets and unamortized debt discount and expense appear on the asset side of such balance sheet or consolidated balance sheet and excluding all moneys required to retire any funded obligations which are deemed not to be outstanding under the provisions of the proviso to Clause D on page 8 of this prospectus. The values of such assets shall be determined in the case of all such assets (other than current assets and investments) owned on December 31, 1961 by any company which is a subsidiary on March 31, 1962 by the values thereof shown in the audited pro forma consolidated balance sheets of the Company and its subsidiaries as at December 31, 1961 (being after accumulated depreciation shown on such balance sheets) less subsequent depreciation, depletion and amortization and in the case of any such assets (except assets excluded as aforesaid) acquired after December 31, 1961 by the Company and/or any such subsidiary at the cost thereof less depreciation, depletion and amortization. In the case of any company which becomes a subsidiary after March 31, 1962 the value of its tangible assets (other than current assets and investments) shall in the case of the first determination of the value thereof be determined by an appraiser appointed by the directors and approved by the Trustee and thereafter the value of its tangible assets (other than current assets and investments) shall be the value thereof determined by such appraiser less subsequent depreciation, depletion and amortization and in the case of any tangible assets (except assets excluded as aforesaid) acquired by such subsidiary after such appraisal the cost thereof less depreciation, depletion and amortization. Investments (other than such investments as are included in current assets as hereinafter provided) shall be valued in the case of shares in other companies at their equity values and in all other cases at not more than the cost thereof to the Company or the subsidiary concerned, such equity values and cost to be determined in accordance with generally accepted accounting practice.

For the purpose of the foregoing definition of consolidated net tangible assets "liabilities" means all liabilities of the Company and all its subsidiaries other than liability for capital stock, surplus or reserves (to the extent not required to be treated as liabilities in accordance with generally accepted accounting practice) and other than liabilities in respect of the principal, premium, if any, and sinking fund instalments, if any, in respect of any funded obligations and other than any deferred credit in respect of or any reserve for deferred taxes on income arising from the excess (less deficiencies) of any provisions for taxes on income for any fiscal period or periods over the amount of such taxes payable for any such fiscal period or periods because the provision for depreciation of buildings, plant and equipment recorded in the books of the Company and/or its subsidiaries in respect of such fiscal period or periods is or was less (or greater) than the capital cost allowance (or depreciation or similar allowance) in respect of such buildings, plant and equipment claimed or to be claimed as a deduction in determining taxes on income for such fiscal period or periods. Contingent liabilities shall likewise be excluded except to such extent, if any, as the directors in their discretion shall determine that special provision should be made in the accounts for meeting such contingent liabilities.

For the purpose of the foregoing definition of consolidated net tangible assets "equity values" means the values attributable to the shares concerned based on the paid up capital of the company concerned and its retained earnings, all determined in accordance with generally accepted accounting practice.

"Current assets" means accounts receivable, bills and notes receivable and similar items receivable in the ordinary course of business (less such allowances for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine), cash on hand and in bank, bonds and obligations of or guaranteed by the Government of Canada or any Province of Canada and other investments (which term shall include bonds, debentures, debenture stock, shares and obligations of incorporated companies other than funded obligations issued by the Company or any subsidiary) which are readily saleable and which in accordance with generally accepted accounting practice may properly be grouped as current assets taken at their quoted market value, prepaid interest, insurance, municipal taxes and similar prepaid expenses of a current nature, stock in trade including all manufactured products of the Company and its subsidiaries and materials and supplies necessary for the operation of the plants and/or the manufacturing of the products of the Company and its subsidiaries, such stock in trade, materials and supplies to be valued at the lower of cost or market value, cash surrender value of life insurance policies payable to the Company or its subsidiaries and such other assets as are usually regarded as current by companies conducting a business similar to that of the Company and/or its subsidiaries.

"Consolidated net earnings" of the Company and its subsidiaries means all the gross earnings and income of the Company and all its subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and all its subsidiaries other than taxes on income and interest on funded obligations (but excluding gains or losses on the disposal of investments and properties held for investment) arrived at on a consolidated basis in accordance with generally accepted accounting practice. Without limiting the generality of the foregoing operating charges and expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are chargeable to capital account in accordance with generally accepted accounting practice), rentals, licences, taxes (other than taxes on income), interest (other than interest on funded obligations), such allowances for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors may determine and, in addition to actual expenditures for maintenance, reasonable allowance for depreciation based on the cost of the assets concerned. Provided that the net earnings of any subsidiary for the purpose of this definition shall

only include such part of the net earnings and income of such subsidiary calculated as aforesaid as under generally accepted accounting practice is applicable to those shares of such subsidiary which are held by the Company or any other subsidiary.

"Consolidated net earnings available for dividends" of the Company and its subsidiaries means the consolidated net earnings of the Company and all its subsidiaries calculated as above provided except that in calculating consolidated net earnings available for dividends taxes on income payable for the period or periods in question and interest on funded obligations shall be deducted as operating charges and expenses and that the earnings or losses of any subsidiary shall only be included from the date when such subsidiary became a subsidiary of the Company (provided that the Company's auditors shall determine the earnings or losses of any subsidiary for the period from the date when such subsidiary became a subsidiary of the Company to the end of the fiscal year of such subsidiary during which it became a subsidiary of the Company).

"Subsidiary" means (a) any corporation or company of which all the outstanding shares of each class of its shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary; and (b) any corporation or company of which more than 50% of the outstanding voting shares are for the time being owned by or held for the Company and/or any subsidiary of the Company if but only if the directors of the Company by resolution (passed either before or after 50% of the outstanding voting shares of such corporation or company become owned by or held for the Company and/or any subsidiary of the Company) determine that such corporation or company shall be deemed to be a subsidiary of the Company and only so long as more than 50% of the outstanding voting shares of such corporation or company are owned by or held for the Company and/or any subsidiary of the Company. Any such resolution shall not be revocable and shall be conclusive and binding upon all parties in interest. "Voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened. If by reason of any such resolution any corporation or company (hereinafter called a "deemed subsidiary") is deemed to be a subsidiary of the Company then any corporation or company of which more than 50% of the outstanding voting shares are or shall at any time be owned by or held for a deemed subsidiary and/or any other corporation or company in like relation to a deemed subsidiary shall be deemed to be a subsidiary of the Company and any other corporation or company in like relation to such a corporation or company shall also be deemed to be a subsidiary of the Company.

"Wholly-owned subsidiary" means any corporation or company of which all the outstanding shares of each class of its shares are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes any corporation or company in like relation to a subsidiary.

"Fixed assets" means such assets as are treated as fixed assets in accordance with generally accepted accounting practice and lands and buildings whether or not so treated.

There are presently outstanding mortgages and/or agreements for sale on specific parcels of real property owned or agreed to be purchased by subsidiaries of the Company, which mortgages and/or agreements for sale were in the aggregate principal amount of \$548,708 as at December 31, 1961 and which rank ahead of the securities offered by this prospectus. All payments of principal and interest required by the terms of the said mortgages to be paid to the date hereof and all payments required to be made by the terms of the said agreements for sale have been paid and/or made on the dates provided therefor and all such mortgages and agreements for sale are in good standing. Reference is made to the pro forma consolidated balance sheets as at December 31, 1961 forming part of this prospectus.

Save as aforesaid and as referred to in paragraph 9 hereof there are no bonds, debentures or other securities outstanding or proposed to be issued by the Company which, if issued, would rank ahead of or *pari passu* with the 6¼% Convertible Sinking Fund Debentures Series A offered by this prospectus.

9. Except as hereinafter stated, no substantial indebtedness not shown in the pro forma consolidated balance sheet (after financing) of the Company and its subsidiaries as at December 31, 1961 forming part of this prospectus is now intended to be created or assumed by the Company or its subsidiaries. The Company and its subsidiaries propose to finance further acquisitions of real property and the development thereof and the construction of homes and commercial and industrial buildings by creating or assuming mortgages on specific parcels of real property and by bank loans. It is not possible to state at the present time the amounts which will from time to time be borrowed in the future or the security (if any) which may be given to secure any such bank loans. In the past the bank loans have been guaranteed by certain directors and shareholders of the borrowing companies (now subsidiaries of the Company) and the present bank loans of subsidiaries are guaranteed by the same persons, who are now directors and/or shareholders of the Company.

10. There are no securities of the Company covered by options outstanding or proposed to be given by the Company except an aggregate of 25,000 shares of the Company reserved for issue upon the exercise of stock options proposed to be granted to employees of the Company and its subsidiaries. Details of such stock options have not as yet been determined. Reference is hereby made to page 11 of this prospectus for a description of the prices and terms upon which shares of the Company are issuable upon the conversion of Series A Debentures.

11. The number of securities offered by this prospectus, their correct descriptive titles and the issue price to the public and the terms thereof are shown on pages 2 and 3 of this prospectus to which reference is hereby made.
12. The estimated aggregate net proceeds to be derived by the Company from the sale to Gairdner & Company Limited of \$1,500,000 aggregate principal amount of Series A Debentures and 190,000 shares as referred to in paragraph 15 hereof on the basis of such securities being fully taken up and paid for is \$1,407,500 less legal and auditing fees and other expenses in connection with the issue thereof, which fees and expenses are estimated at \$40,000.
13. The net proceeds to the Company of the sale by the Company of the securities referred to in paragraph 12 hereof will be used as follows:
- (a) to repay outstanding bank loans and other indebtedness of subsidiaries which as at February 28, 1962 amounted to approximately \$476,000; and
 - (b) the balance will be used for general corporate purposes of the Company and its subsidiaries, principally the construction of services and improvements, the construction of homes on lands being developed, the construction of commercial buildings, the acquisition and development of additional lands and the expansion of millwork and cabinet making facilities.
14. Of the aggregate consideration referred to in paragraph 15 hereof, \$20,000 is being allocated as the consideration for the issue of the shares referred to therein.
15. By an agreement dated the 9th day of March, 1962 made between the Company and Gairdner & Company Limited (herein sometimes referred to as the "Underwriter"), the Company agreed to sell to the Underwriter and the Underwriter agreed to purchase on its own behalf, subject to the terms and conditions therein contained, the \$1,500,000 aggregate principal amount of Series A Debentures and 190,000 shares without par value of the Company for an aggregate consideration of \$1,407,500 together with accrued interest on the principal amount of the Series A Debentures from April 1, 1962 to the date of the issue of the Series A Debentures by the Company payable in cash against delivery of the said securities on or about the 10th day of April, 1962.
16. The by-laws of the Company contain the following provisions as to remuneration of directors:
- "The remuneration to be paid to the directors shall be such as the board of directors shall from time to time determine and such remuneration shall be in addition to the salary paid to any officer or employee of the Company who is also a member of the board of directors. The directors may also by resolution award special remuneration to any director undertaking any special services on the Company's behalf other than the routine work ordinarily required of a director by the Company and the confirmation of any such resolution or resolutions by the shareholders shall not be required. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in connection with the affairs of the Company."
17. The first fiscal period of the Company will end on December 31, 1962. The aggregate remuneration estimated to be paid or payable to the directors of the Company as such during the current fiscal year is \$2,000. The aggregate remuneration estimated to be paid or payable by the Company during the current fiscal year of the Company to officers of the Company, as such, who individually are entitled to receive remuneration in excess of \$10,000 per annum is \$100,000.
18. No amount has been paid within the two years preceding the date hereof or is now payable by the Company as a commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company.
19. The estimated amount of the preliminary expenses of the Company, inclusive of the fees and expenses referred to in paragraph 12 hereof, is \$55,000.
20. No property has been purchased or acquired by the Company or is proposed to be purchased or acquired by the Company, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the securities hereby offered or has been paid within the last two years preceding the date hereof or is to be paid in whole or in part in securities of the Company, or the purchase or acquisition of which has not been completed at the date hereof, other than transactions entered into in the ordinary course of operations or on the general credit of the Company or its subsidiaries and other than the transactions referred to in paragraph 21 hereof.
21. On March 12, 1962 the Company acquired all shares held by individuals in the capital of the companies which are now subsidiaries of the Company. Certain shares in the capital of these subsidiary companies are held by other subsidiaries of the Company and such shares were not acquired directly by the Company. The names and addresses of the vendors of such shares acquired by the Company, the number of shares of the respective subsidiary companies transferred to the Company by each such vendor and the number of shares issued by the Company to each such vendor are set forth below. Some of the shares transferred by the vendors were registered in the names of trustees and in some cases certain of the vendors were beneficial owners of fractions of such shares.

For convenience of reference herein Economy Home Builders of Windsor Limited is called "Economy Windsor"; Economy Home Builders of London Limited is called "Economy London"; Economy Home Builders of Ottawa Limited is called "Economy Ottawa"; Economy Homes of Hamilton Limited is called "Economy Hamilton"; Economy Homes of Ottawa Limited is called "Homes of Ottawa"; Morris Construction (Windsor) Limited is called "Morris"; Builders Realty Limited is called "Builders"; C & R Realty Limited is called "C & R"; Daro Construction Company Limited is called "Daro"; G & L Realty Limited is called "G & L"; Gernald Company Limited is called "Gernald"; Hamsor Realty Limited is called "Hamsor"; Rochar Realty Limited is called "Rochar"; Sandwich West Construction Company Limited is called "Sandwich"; Wentex Realty Limited is called "Wentex"; Carlton Cabinets Limited is called "Carlton"; Essex Cabinet Makers Limited is called "Essex" and La Salle Cabinets Limited is called "La Salle".

ARCHIE DAVID CHERNIAK of 2132 Victoria Avenue, Windsor, Ontario, transferred 20 shares of each of Daro, Sandwich, Builders and Economy Ottawa; 100 shares of Economy Windsor; 32 shares of La Salle; 19 shares of Carlton; 60 shares of Economy Hamilton and 80 shares of Economy London to the Company in exchange for the issue to him as fully paid and non-assessable of 86,254 shares of the Company.

BEATRICE CHERNIAK of 2132 Victoria Avenue, Windsor, Ontario, transferred 19.35 shares of each of Gernald, Wentex, Hamsor, G & L, Rochar and C & R; 29.02 shares of La Salle and 48 shares of Homes of Ottawa to the Company in exchange for the issue to her as fully paid and non-assessable of 25,309 shares of the Company.

HARRY CHERNIAK of 2158 Victoria Avenue, Windsor, Ontario, transferred .7 shares of each of Daro, Sandwich, Builders and Economy Ottawa; 3.2 shares of Economy Windsor; 1.2 shares of La Salle; .6 shares of Carlton; 1.5 shares of Homes of Ottawa; 2 shares of Economy Hamilton and 2.5 shares of Economy London to the Company in exchange for the issue to him as fully paid and non-assessable of 3,187 shares of the Company.

ANN CAMILLA COLLINS of 171 East 7th Street, Hamilton, Ontario, transferred 40 shares of Homes of Ottawa and 50 shares of Economy Hamilton to the Company in exchange for the issue to her as fully paid and non-assessable of 10,646 shares of the Company.

EDWARD JOHN COLLINS of 171 East 7th Street, Hamilton, Ontario, transferred 8 shares of each of Builders and Economy Ottawa; 40 shares of Homes of Ottawa; 50 shares of Economy Hamilton and 32 shares of Economy London to the Company in exchange for the issue to him as fully paid and non-assessable of 27,476 shares of the Company.

WILLIAM DUCHARME of 33 Kenwood Crescent, Hamilton, Ontario, transferred 3.4 shares of each of Gernald, Wentex, Hamsor, G & L, Rochar and C & R and 5.1 shares of La Salle to the Company in exchange for the issue to him as fully paid and non-assessable of 2,741 shares of the Company.

ELLA GARVIN of 3023 Wyandotte Street East, Windsor, Ontario, transferred .9 shares of each of Daro, Sandwich, Builders and Economy Ottawa; 4.1 shares of Economy Windsor; 1.54 shares of La Salle; .77 shares of Carlton; 1.92 shares of Homes of Ottawa; 2.56 shares of Economy Hamilton and 3.2 shares of Economy London to the Company in exchange for the issue to her as fully paid and non-assessable of 4,080 shares of the Company.

EDNA LASSER of 21921 Stratford Street, Oak Park, Michigan, transferred 1.4 shares of each of Daro, Sandwich, Builders and Economy Ottawa; 6.4 shares of Economy Windsor; 2.4 shares of La Salle; 1.2 shares of Carlton; 3 shares of Homes of Ottawa; 4 shares of Economy Hamilton and 5 shares of Economy London to the Company in exchange for the issue to her as fully paid and non-assessable of 6,311 shares of the Company.

DOROTHY MUZZATTI of 1071 Grand Marais Road West, Windsor, Ontario, transferred 50 shares of Carlton to the Company in exchange for the issue to her as fully paid and non-assessable of 9,945 shares of the Company.

WILLIAM MUZZATTI of 1071 Grand Marais Road West, Windsor, Ontario, transferred 20 shares of Essex and 100 shares of La Salle to the Company in exchange for the issue to him as fully paid and non-assessable of 36,784 shares of the Company.

LILLIAN SKOLNEK of 17391 Roselawn Street, Detroit, Michigan, transferred .78 shares of each of Daro, Sandwich, Builders and Economy Ottawa; 3.58 shares of Economy Windsor; 1.34 shares of La Salle; .67 shares of Carlton; 1.68 shares of Homes of Ottawa; 2.24 shares of Economy Hamilton and 2.8 shares of Economy London to the Company in exchange for the issue to her as fully paid and non-assessable of 3,570 shares of the Company.

ARNOLD SLUTZKY of 4661 West Outer Drive, Detroit, Michigan, transferred 1.26 shares of each of Daro, Sandwich and Builders; 5.76 shares of Economy Windsor; 55 shares of each of Gernald, Wentex, Hamsor, G & L Rochar and C & R; 84.66 shares of La Salle; 1.08 shares of Carlton; 22.26 shares of Economy Ottawa; 2.7 shares of Homes of Ottawa; 223.6 shares of Economy Hamilton and 24.5 shares of Economy London to the Company in exchange for the issue to him as fully paid and non-assessable of 85,871 shares of the Company.

GERALD SLUTZKY of 4661 West Outer Drive, Detroit, Michigan, transferred 1.26 shares of each of Daro, Sandwich and Builders; 5.76 shares of Economy Windsor; 22.25 shares of each of Gernald, Wentex, Hamsor, G & L, Rochar and C & R; 35.54 shares of La Salle; 1.08 shares of Carlton; 22.26 shares of Economy Ottawa; 179.7 shares of Homes of Ottawa; 3.6 shares of Economy Hamilton and 24.5 shares of Economy London to the Company in exchange for the issue to him as fully paid and non-assessable of 85,234 shares of the Company.

RAE SLUTZKY of 4661 West Outer Drive, Detroit, Michigan, transferred 7 shares of Economy Ottawa and 75 shares of Carlton to the Company in exchange for the issue to her as fully paid and non-assessable of 21,803 shares of the Company.

ROBERT SLUTZKY of 4661 West Outer Drive, Detroit, Michigan, transferred 68 shares of each of Daro and Sandwich; 346 shares of Economy Windsor; 106 shares of La Salle; 65 shares of Builders; 16 shares of Economy Ottawa and 223 shares of Economy London to the Company in exchange for the issue to him as fully paid and non-assessable of 208,651 shares of the Company.

CHARLES LAWRENCE TABACHNICK of 3714 Victoria Boulevard, Windsor, Ontario, transferred 1,500 shares of Morris to the Company in exchange for the issue to him as fully paid and non-assessable of 56,250 shares of the Company.

MORRIS TABACHNICK of 3041 Raddison Avenue, Windsor, Ontario, transferred 1,500 shares of Morris to the Company in exchange for the issue to him as fully paid and non-assessable of 56,250 shares of the Company.

ROSE WUNDER of 1604 Goyeau Street, Windsor, Ontario, transferred .7 shares of each of Daro, Sandwich, Builders and Economy Ottawa; 3.2 shares of Economy Windsor; 1.2 shares of La Salle; .6 shares of Carlton; 1.5 shares of Homes of Ottawa; 2 shares of Economy Hamilton and 2.5 shares of Economy London to the Company in exchange for the issue to her as fully paid and non-assessable of 3,187 shares of the Company.

SHIRLEY ELIZABETH YOUNG of 669 Ellen Avenue, Ottawa, Ontario, transferred 40 shares of Homes of Ottawa to the Company in exchange for the issue to her as fully paid and non-assessable of 8,224 shares of the Company.

STANLEY YOUNG of 669 Ellen Avenue, Ottawa, Ontario, transferred 40 shares of Homes of Ottawa to the Company in exchange for the issue to him as fully paid and non-assessable of 8,224 shares of the Company.

Except as aforesaid no securities of the Company have within the two (2) years preceding the date of this prospectus been issued or agreed to be issued as fully or partly paid up otherwise than in cash.

22. Exclusive of services rendered or to be rendered in the ordinary course of business and legal, auditing and other services in connection with the issue of the securities offered by this prospectus, no services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the securities hereby offered. No services have been rendered or are to be rendered to the Company which have been within the two preceding years or are to be paid for by the securities of the Company.

23. No amount has been paid within the two years preceding the date of this prospectus or is intended to be paid to any promoter of the Company as such.

24. The agreement dated the 9th day of March, 1962 referred to in paragraph **15** hereof is the only material contract entered into by the Company since its incorporation, otherwise than in the ordinary course of the business carried on by the Company.

Copies of the above agreement and the Trust Indenture when entered into may be inspected at the head office of the Company at 33 University Avenue West, Windsor, Ontario during ordinary business hours during the course of primary distribution to the public of the securities offered hereby.

25. The Company does not propose to acquire any properties in which any director is interested. Reference is made to paragraph **21** hereof.

26. The Company has been carrying on business since March 12, 1962 when it acquired certain shares as referred to in paragraph **21** hereof. The businesses of all the subsidiaries of the Company have been carried on for more than three years except for the businesses carried on by Carlton Cabinets Limited, Economy Homes of Hamilton Limited and Economy Homes of Ottawa Limited which subsidiaries have been carrying on business since May, 1959, November, 1960 and November, 1960, respectively.

27. By reason of beneficial ownership of shares of the Company, Mr. Robert Slutzky (together with his wife and children) is likely in a position to elect or cause to be elected a majority of the directors of the Company. Under the terms of letter agreements dated March 20, 1962 from Mr. Robert Slutzky and other shareholders of the Company (holding in the aggregate 750,000 shares without par value of the Company) to Gairdner & Company Limited, the said Mr. Robert Slutzky and the said other shareholders have agreed that until April 1, 1972 or the date of the retirement of the Series A Debentures, whichever is the later, all shares of the Company from time to time owned by them will be voted in favour of the election of two persons nominated by Gairdner & Company Limited as directors of the Company.

28. The said letter agreements referred to in paragraph 27 hereof place certain restrictions on the sale of 750,000 shares without par value of the Company. The said shareholders have also agreed to escrow 675,000 shares of the Company with The Royal Trust Company to be released only as follows: 25,000 on October 1, 1962; 50,000 on April 1, 1963; 75,000 on October 1, 1963; 75,000 on each of April 1 and October 1 in each of the years 1964 to 1966 inclusive and 75,000 on April 1, 1967.

The agreement providing for such escrow is to provide that in addition to the foregoing all or any of the shares so escrowed shall be released from escrow at any time or from time to time prior to the dates above specified if the shares of the Company have been selling on the Canadian Stock Exchange for at least 90 days prior to the date of release from escrow at a price of at least \$10 per share and if Gairdner & Company Limited in its sole discretion consents to the release from escrow of the shares so to be released. The said agreement will also permit the transfer of shares held in escrow thereunder provided that such shares remain subject to such escrow and the agreement will also permit the pledging of shares held in escrow as security for any loan made by a Canadian chartered bank.

29. No dividends have been paid by the Company to date.

The foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Dated this 23rd day of March, 1962.

Directors

(Signed) A. D. CHERNIAK

(Signed) R. SLUTZKY

(Signed) H. V. SHAW

by his agent

(Signed) A. D. CHERNIAK

(Signed) C. L. TABACHNICK

(Signed) C. C. LAWSON } by their agent
J. W. VICKERS } (Signed) H. V. SHAW

(Signed) M. TABACHNICK

Underwriters

To the best of our knowledge, information and belief, the foregoing declarations constitute full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), by Section 39 of The Securities Act, 1954 (Saskatchewan), by Section 13 of the Security Frauds Prevention Act (New Brunswick), by Part IX of The Securities Act, 1955 (Alberta), and under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

GAIRDNER & COMPANY LIMITED

By: (Signed) J. H. HAWKE, Vice-President

The following includes the names of all individuals having more than a five per cent interest in Gairdner & Company Limited: J. A. Gairdner, J. S. Gairdner, H. V. Shaw, J. H. Hawke, G. C. Watt, F. J. McDonald, H. E. Neville, H. R. Malkin, J. A. Cunningham and J. H. Brown.

9. ANNUAL MEETING

Under the by-laws of the Company, the annual meeting of the shareholders shall be held on such day in each year as the board of directors of the Company from time to time may determine. No annual meeting has yet been held.

10. HEAD OFFICE

The head office of the Company is at 33 University Avenue West, Windsor, Ontario.

11. TRANSFER AGENT AND REGISTRAR

The Royal Trust Company at its offices in the Cities of Montreal, Toronto, Winnipeg and Vancouver is the Transfer Agent and Registrar for the Shares.

12. TRANSFER FEE

No fee is charged on the transfer of the Shares other than customary stock transfer taxes.

13. AUDITORS

The auditors of the Company are Messrs. Vise, Rumack, Seigel, Kurtz & Company, Chartered Accountants, of 491 Lawrence Avenue West, Toronto, Ontario.

14. DIRECTORS

ARCHIE DAVID CHERNIAK	Executive	2132 Victoria Avenue Windsor, Ontario
CHARLES CRAIGMYLE LAWSON	Executive	190 Delaware Avenue Hamilton, Ontario
HUGH VICTOR SHAW	Investment Dealer	856 Sunningdale Bend, Clarkson, Ontario
ROBERT SLUTZKY	Executive	4661 West Outer Drive Detroit, Michigan
CHARLES LAWRENCE TABACHNICK	Executive	3714 Victoria Blvd. Windsor, Ontario
MORRIS TABACHNICK	Executive	3041 Raddison Avenue Windsor, Ontario
JOSEPH WILLIAM VICKERS	Executive	820 Glenwood Avenue Burlington, Ontario

15. OFFICERS

ARCHIE DAVID CHERNIAK	Chairman of the Board	2132 Victoria Avenue Windsor, Ontario
ROBERT SLUTZKY	President and General Manager	4661 West Outer Drive Detroit, Michigan

CERTIFICATE

Pursuant to a resolution duly passed by its Board of Directors, the applicant company hereby makes application for listing of the above-mentioned securities on The Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support hereof are true and correct.



CAPITAL BUILDING INDUSTRIES LIMITED

"A. D. CHERNIAK"
Chairman of the Board

"C. L. TABACHNICK"
Secretary

CERTIFICATE OF UNDERWRITER

To the best of our knowledge, information and belief, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

GAIRDNER & COMPANY LIMITED
"J. S. GAIRDNER"

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

CAPITAL BUILDING INDUSTRIES LIMITED

Distribution of Shares without par value stock
as of 14th September 1962

Number							Shares	
147	.....	Holder	of	1	—	100 share lots	11,683
49	.....	“	“	101	—	200 “ “	9,225
16	.....	“	“	201	—	300 “ “	4,525
7	.....	“	“	301	—	400 “ “	2,525
15	.....	“	“	401	—	500 “ “	7,500
33	.....	“	“	501	—	1000 “ “	27,825
60	.....	“	“	1001	—	up “ “	889,217
327	Stockholders						Total shares	1,052,500

THE TORONTO STOCK EXCHANGE

8/3/68

FILING STATEMENT NO. 1601.
FILED, MARCH 19th, 1968.

CAPITAL BUILDING INDUSTRIES LIMITED

Full corporate name of Company
Incorporated under Part I of the Corporations Act (Ontario) by
Letters Patent dated February 16, 1962.
Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957). Reference is made to previous
Filing Statement No. 1320.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	See Schedule "A" on pages 2 and 3.
2. Head office address and any other office address.	100 Queens Avenue, London, Ontario.
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	See Schedule "B" on pages 3 and 4.
4. Share capitalization showing authorized and issued and outstanding capital.	Authorized capital 2,000,000 shares without par value. Outstanding 1,435,500. By Supplementary Letters Patent dated Feb. 16th, 1968 the authorized capital was increased to 5,000,000 shares without par value.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	\$917,000 6 1/2% Convertible Sinking Fund Debentures Series "A".
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	1,000,000 shares without par value to be issued as fully paid and non-assessable in satisfaction of the purchase price of \$750,000 to be paid by the Company for all the outstanding (10,000) shares of Meteor Securities Limited pursuant to a Purchase Agreement dated November 9, 1967. Prior to the issue of the one million shares, 289,274 shares are reserved for issuance upon conversion of the convertible debentures. Twenty-five thousand shares are reserved under an employees' share option plan at \$1.85 per share, exercisable as to all or any of the optioned shares at any time from time to time commencing April 30, 1964 and expiring on April 30, 1972. In addition, options have been granted to certain directors or officers to purchase 25,000 shares at \$.90 per share at any time prior to March 22, 1970.
7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	The 1,000,000 shares of the Company are being issued from the Treasury of the Company to the vendors of the outstanding shares of Meteor Securities Limited. 25,000 shares - Mr. C.W. Leonardi } 1,250 shares - Mr. L. Demers } - Options 500 shares - Mr. I. Sartori }
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	None.
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	No proceeds of sale are being received for the 1,000,000. If the proposed acquisition of Meteor Securities by Capital Building Industries Limited is finalized, it would be the present and immediate plans of the board of directors and management of Capital Building to operate the Company by way of four divisions, each division having a divisional manager reporting to a Vice-President of Operations, namely, Mr. J.B. Gibson. 1. Domestic Division (Housing) - presently operating in the general Windsor area building single family and multiple family dwellings. 2. Land Development and Leaseback Division - immediate plans for Windsor plus present operations in London and future plans for London. It should be noted however that it is the intention of the directors and management to dispose of all properties as soon as possible when finally developed. 3. Manufacturing Division (Ottawa) - this plant is in the manufacturing of architecturally designed cabinets and office furniture. The immediate plans of this operation are to continue as at present with the possibility of expansion. 4. Food Division - is currently made up of the Red Barn operations with plans to: (a) Expand to a minimum of 60 stores in Ontario (during the next five years, as per the master agreement). (b) The further expansion in all parts of Canada by way of sub-licensing agreements. Other management to consist of Mr. J.M. Worsnop as Comptroller and Mr. D.H. Swift as President.

SCHEDULE "A"

The Company has entered into an agreement of purchase and sale (herein referred to as the "Purchase Agreement") dated as of the 9th day of November, 1967 which was made between James B. Gibson, Mardic Limited, Nintona Investments Limited, Harold Shneer, Donald H. Swift, Flowillo M. Talbot and Wilbrook Holdings Limited (hereinafter called the "Vendors") of the first part, and the Company of the second part. The Purchase Agreement provides for the purchase by the Company from the Vendors effective as of October 31, 1967 of the 10,000 outstanding shares of Meteor at a price of \$750,000, which is to be paid by the issue to the Vendors of 1,000,000 of the Company's shares as fully paid and non-assessable.

Before the Vendors are bound to complete the transaction, pursuant to the terms and conditions of the Purchase Agreement, and subject to the fulfilment of legal requirements and certain other terms and conditions stated in the Purchase Agreement, the Company must comply with the following conditions precedent:

Condition 1 - The authorized capital of the Company must be increased from 2,000,000 to 5,000,000 shares without par value;

Condition 2 - The Toronto Stock Exchange and the Canadian Stock Exchange must have approved the issue of the said 1,000,000 shares to the Vendors and the Company must have taken before the closing of the purchase and sale all possible steps necessary to complete the listing of such shares on the said Exchanges;

Condition 3 - The Ontario Securities Commission and Quebec Securities Commission must have granted the Company an exemption from filing a prospectus in respect of the issue of the said 1,000,000 shares to the Vendors;

Condition 4 - Two representatives of the Vendors, at the Vendors' option, must have been elected to the Board of Directors; and

Condition 5 - The completion of the purchase and sale provided for in the Purchase Agreement must have been approved by a special general meeting of the shareholders of the Company duly called for that purpose;

Before the Company is bound to complete the purchase and sale provided for in the Purchase Agreement, pursuant to the terms and conditions of the Purchase Agreement, and subject to the fulfilment of legal requirements and certain other terms and conditions stated in the Purchase Agreement, the Vendors must comply with the following conditions precedent:

Condition 6 - The Vendors shall have caused Thameside Investments Limited (hereinafter called "Thameside"), a company incorporated by them for the purpose, to buy all of Meteor's investments in and advances to the "Affiliated Companies" for a price equal to the aggregate book value thereof;

Condition 7 - Meteor shall have redeemed all of its outstanding preference shares with a par value of \$100 each, at such discount as shall create a capital surplus on the books of Meteor equal to the earnings deficit of Meteor as at the close of business on October 31, 1967;

Condition 8 - Thameside shall have loaned to Meteor an amount equal to \$943,700;

Condition 9 - The Vendors shall have delivered to the Purchaser the agreement of indemnity.

General

The businesses of Meteor and its Subsidiary Companies may conveniently be divided into two divisions as follows:

Division 1 - The assets of Haldonia, Extension and Centennial and Meteor in part consist of investments in real estate being held for prospective development in the future and developed properties (either owned or held under long-term leases) on which buildings have been erected and are leased to various commercial tenants. These lands and buildings had a book value of \$2,221,443. The lands and buildings are as follows:

City of London

Meteor owns three parcels of land in downtown London. Two of the parcels are zoned for commercial use and are held for future development; one parcel is vacant and the other parcel has a private residence situated thereon and both are leased on a short term basis. The third parcel has an apartment building situated thereon consisting of 4 units fully rented.

The subsidiary companies own two parcels in downtown London. The first parcel consists of an entire city block with a modern garage and showroom built in 1965 situated thereon which is leased to a major automobile manufacturing company for a term of twenty years. The second parcel consists of the major portion of a city block in an area designated for urban renewal which has been levelled for development and is now leased for parking pending re-development.

Town of Brampton

A subsidiary company owns two parcels of real estate. The first parcel has a factory building situated thereon of 28,000 square feet fully leased with an option to purchase. The second parcel consists of a vacant commercial site near the periphery of the Town in close proximity of the Bramalea development.

Division 2 - Eljaydee through its wholly owned subsidiary, Red Barn, carries on the business of operating the Red Barn fast food franchise. Red Barn is entitled to an exclusive right throughout Canada to operate and sublicense franchises for Red Barn restaurants under the Area Agreement with the Red Barn Systems, Inc.

Red Barn Operations

Red Barn operates the franchise under the Area Agreement by providing the locations, buildings and equipment to subfranchisees who operate the restaurant business on their own behalf. Revenue will be provided to Red Barn by means of initial franchise payments, rentals and royalties on gross sales. The subfranchisees will operate the business under the terms of an operational manual and the supervision and control of Red Barn. At present, the operation consists of eleven outlets, eight within Metropolitan Toronto and one each in the cities of Niagara Falls, London, and Windsor.

Under the Area Agreement Red Barn is entitled to use and sublicense certain patents, industrial designs, trademarks and copyrights in connection with the operation of the Red Barn business and in addition is entitled to receive assistance from

The Red Barn Systems, Inc. in the form of certain services, systems, procedures and processes. Red Barn in return is obligated to make certain franchise payments and pay specified royalties. Red Barn proposes to undertake substantial expansion of Red Barn outlets throughout Canada in accordance with its obligations under the Area Agreement.

Reasons for the Purchase

The Company has been searching for an opportunity of acquiring desirable investments to enhance the Company's financial position and contribute to its earnings. The search was restricted to those investments which had the following characteristics:

1. an investment in an industry or field where the prospect is for dynamic growth; and
2. an investment requiring a minimum of cash outlay in order to minimize the effect upon the Company's working capital position.

The corporate franchise fast food industry commenced in the United States about twenty years ago and has had a phenomenal growth record, particularly during the past ten years. In the United States there are now hundreds of franchise operations operating and among the most profitable are in the food industry. Some of these successful operations include MacDonalds Corporation, Burger King, Burger Chef, A. & W. and Kentucky Fried Chicken. MacDonalds Corporation alone now operates in excess of 1,000 outlets across the United States and despite increasing competition has remained highly profitable with its limited menu featuring hamburgers. The industry in Canada is in its infancy and in your directors' opinion has prospects of realizing dynamic growth of similar proportions to that which has occurred in the United States during the past years.

In the opinion of your board the acquisition of the business of Meteor would be an appropriate investment for your Company. This is a completely arm's length agreement and was approved by the shareholders at a Special General Meeting on February 16th, 1968.

SCHEDULE "B"

The DIRECTORS holding office at the time of the transaction are as follows:

	<u>Principal Occupation & Occupation during last 5 years</u>	<u>Officers</u>
Robert George Crompton	Salesman of J.L. Goad & Company, stockbrokers, since 1967; previously was partner of Davidson & Company, stockbrokers.	--
William George Dingwall	President of Capital Building Industries Limited since 1965, also President and Dinvest Management Limited and associated companies, operating an automobile dealership.	President
Clarence William Leonardi	Managing Director of Capital Building Industries Limited since 1964. And also Vice-President and Treasurer of The Glengair Group Limited, an operating and investment company; previously was Treasurer of Trafalgar Investments Limited, an investment and holding company.	Managing Director
Edwin Allan Lovelace	Employed by Gairdner & Company Limited, a director of that company since 1963.	--
John Raymond Shemilt	Manager of Netherlands Overseas Corporation of Canada Limited, investment dealers.	--
.....		
* James Bartlet	Partner of Bartlet, Richardes, Knight & Wilson, Barristers and solicitors.	Secretary

The Proposed List of Directors after the transaction are as follows:

Robert George Crompton	Salesman of J.L. Goad & Company, stockbrokers, since 1967; previously was partner of Davidson & Company, stockbrokers.	--
William George Dingwall	President of Capital Building Industries Limited since 1965, also President of Dinvest Management Limited and associated companies, operating an automobile dealership.	--
Clarence William Leonardi	Managing Director of Capital Building Industries Limited since 1964. And also Vice-President and Treasurer of The Glengair Group Limited, an operating and investment company; previously was Treasurer of Trafalgar Investments Limited, an investment and holding company.	--
Edwin Allan Lovelace	Employed by Gairdner & Company Limited, a director of that company since 1963.	--
John Raymond Shemilt	Manager of Netherlands Overseas Corporation of Canada Limited, investment dealers.	--
Donald Harold Swift	President of Middlesex Motors Company Limited and President of Meteor Securities Limited since its incorporation.	President

Principal Occupation and Occupation during last 5 years Officer

Richard William Yantis	President of Delta Acceptance Corp. Limited, President and Chairman of the Board of Avco-Delta Corporation Canada Limited and President of Mardic Limited.	—
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* James B. Gibson	Vice-President of Meteor Securities Limited.	Vice-President and Secretary.
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* - Not Directors -- Officers only..

SCHEDULE "C"

Answers to Question 11

The names and addresses of the Vendors of the 10,000 shares of Meteor Securities Limited are as follows:

<u>Name of Vendor</u>	<u>Portion of Purchase Price</u>	<u>Number of shares to be received</u>
James B. Gibson 22 Hunt Village Cresc. London, Ontario	\$ 32,850	43,800
* Mardic Limited 5 Doncaster Ave. London, Ontario	138,000	184,000
* Nintosa Investments Limited 291 Dundas St. London, Ontario	71,475	95,300
* Harold Shneer 293 Homewood Ave. Toronto, Ontario	55,500	74,000
* Donald H. Swift 10 Beechwood Place London, Ontario	360,000	480,000
* Flowillo M. Talbot 442 Jarvis Ave. London, Ontario	71,325	95,100
Wilbrook Holdings Limited 1486 Stoneybrook Cresc. London, Ontario	<u>20,850</u>	<u>27,800</u>
TOTALS	<u>\$750,000</u>	<u>1,000,000</u>

Answer to Question 12

The persons having a greater than 5% interest in the said shares to be issued are marked with an asterisk in the answer to question 11 above.

The names and addresses of persons having a greater than 5% interest in Nintosa Investments Limited are:

N. T. Sanderson
543 Sanitorium Rd.
London, Ontario

The names and addresses of persons having a greater than 5% interest in Mardic Limited are:

R. W. Yantis
5 Doncaster Ave.
London. Ontario

FINANCIAL STATEMENTS

CAPITAL BUILDING COMPANY, LIMITED

(INCORPORATED UNDER THE LAWS OF ONTARIO)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1957

A S S E T S		1957	1956	L I A B I L I T I E S		1957	1956
CURRENT				CURRENT			
Accounts receivable		\$ 274,882	\$ 318,526	Bank indebtedness - part of which is secured by assignment of book debts and Series B Debentures (Note 8)		\$ 429,455	\$ 740,716
Mortgage draws receivable		177,298	503,211	Accounts payable and accrued liabilities		489,899	584,805
Real Estate Inventory (Note 2)		582,145	1,368,452	Income taxes payable		30,136	46,725
Land and improvements not yet utilized in construction-at the lower of cost and net realizable value - (Note 3)		1,049,313	1,764,792	Mortgages payable and balances owing on agreements of sale (Note 5)		351,096	1,062,167
Inventory of millwork materials - at the lower of cost and net realizable value		68,055	62,134	Current portion of deferred liabilities (Note 1)		263,080	-
Sundry assets and prepaid expenses (Note 4)		201,044	420,691			1,883,675	2,394,013
		<u>2,866,637</u>	<u>5,111,806</u>				
INVESTMENTS				DEFERRED			
Commercial land and apartment sites		2,002,205	111,838	Mortgages and liens payable - non-current portion (Note 7)		1,373,207	37,056
Mortgages and notes receivable - non-current portion		395,675	376,241	6 1/2% Convertible Sinking Fund Debentures - Series A - maturing April 1, 1977 (Note 8)		900,000	1,000,000
Equity in and advances to affiliated companies		161,978	265,678	Lease securities (Note 9)		94,000	-
		<u>2,559,858</u>	<u>753,757</u>	Deferred financing charges		23,743	-
				Secured income debentures - due January 1, 1978 non-current portion (Note 10)		838,314	-
						<u>3,229,264</u>	<u>1,037,056</u>
FIXED				DUE TO VENDORS OF SHARES OF NEWBOR SECURITIES LIMITED to be satisfied through the issuance of Capital Stock (Note 1)		750,000	
Land, equipment, furniture and leasehold improvements - at cost		243,482	263,792				
Less: Accumulated depreciation		102,402	61,861				
		<u>141,080</u>	<u>201,931</u>				
OTHER							
Organization, financing expenses and deferred charges, less amounts amortized to date		124,795	51,348				
Excess of cost of shares of a subsidiary over equity acquired therein		200,000	92,300	CAPITAL STOCK (Notes 1 and 7)			
		<u>164,795</u>	<u>143,648</u>	Authorized			
				2,000,000 shares without par value			
				Issued and Fully Paid			
				1,396,500 shares			
						2,394,054	2,349,054
						<u>(1,074,249)</u>	<u>(1,019,320)</u>
						<u>1,319,805</u>	<u>1,329,734</u>
						\$6,862,745	\$5,160,803

Approved On Behalf Of The Board

Director

Director

CAPITAL BUILDING INDUSTRIES LIMITED

FOR THE YEAR ENDED DECEMBER 31, 1967

	1967	1966
<u>SALES</u>	\$5,889,088	\$9,263,931
<u>COST OF SALES</u>	5,290,007	8,535,677
	599,081	728,254
Add: Sundry income	117,300	182,849
<u>GROSS EARNINGS FROM OPERATIONS</u>	716,381	911,103
Deduct: Selling, general and administrative expenses	606,258	821,572
Interest on long term debt	85,626	62,500
Depreciation	26,903	31,740
Amortization of financing expenses	8,056	8,056
	726,843	923,868
	(10,462)	(12,765)
Gain on purchase and cancellation of Company debentures	24,255	
Gain on sale of factory building		10,761
<u>NET EARNINGS FOR YEAR</u>	\$ 13,793	\$ 31,936

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1967

Balance at beginning of year	1,019,320	909,256
Increase tax assessments pertaining to prior years	7,897	142,000
Losses on disposal of manufacturing division assets	60,825	
	1,088,042	1,051,256
Deduct: Net earnings for year	13,793	31,936
Balance at end of year	\$1,074,249	\$1,019,320

The accompanying notes to the Consolidated Financial Statements are an integral part thereof and should be read in conjunction therewith.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	1967	1966
<u>FUNDS WERE OBTAINED FROM:</u>		
Net earnings (deficit) for year	\$ 13,793	\$ 31,936
Charges which do not require a cash outlay:		
Depreciation	26,903	31,740
Amortization of financing expenses	8,056	8,056
Deferred liabilities:		
Mortgages and liens payable	1,336,151	
Lease securities	94,000	
Deferred finance revenue	23,743	
Secured income debentures	838,314	
	2,292,208	
Reduction of investments:		
Equity in and advances to affiliated companies	44,700	
Liability to vendors of shares of Hareor Securities Limited	750,000	
Sale of fixed assets	45,972	210,771
Proceeds from sale of common stock	35,000	
	3,226,632	282,453
<u>FUNDS WERE APPLIED TO:</u>		
Increase investments:		
Commercial land and apartment sites	1,890,370	5,632
Mortgages and notes receivable (net)	19,434	247,562
Equity in and advances to affiliated companies		1,200
	1,909,804	260,397
Fixed asset additions	494,048	4,790
Organization, financing expenses and deferred charges	43,452	
Excess of cost of shares of a subsidiary over equity acquired therein	500,487	
Reduce mortgages payable		184,220
Income tax assessments pertaining to prior years	7,897	142,000
Losses on disposal of manufacturing division assets	60,825	
Purchase and cancellation of Company debentures	83,000	
Sinking fund requirement	17,000	
	3,570,463	591,407
<u>CHANGE, DECREASE OR INCREASE, NET CAPITAL</u>	\$ 349,831	\$ 308,954

The accompanying notes to the Consolidated Financial Statements are an integral part thereof and should be read in conjunction therewith.

CAPITAL BUILDING INDUSTRIES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1967

NOTE 1

On February 16, 1968 at a special general meeting of shareholders of the Company, the following were passed:

1. A resolution approving the purchase by the Company of all of the issued and outstanding shares in the capital of Meteor Securities Limited (as of October 31, 1967) at a price of \$750,000, payable by the issuance of 1,000,000 shares without nominal or par value in the capital of the Company to the vendors thereof.
2. A special resolution authorizing an application for supplementary letters patent increasing the authorized capital of the Company by creating an additional 3,000,000 shares without par value ranking pari passu with the existing 2,000,000 shares of the Company.

The purchase of the shares of Meteor Securities Limited was effective as of October 31, 1967, but not closed until 1968. Accordingly, the consolidated balance sheet gives effect to the accounts of Meteor Securities Limited as at December 31, 1967, and reflects the purchase price in the amount of \$750,000 as unpaid. This liability was discharged on closing through the issuance of 1,000,000 shares without nominal or par value in the capital of the Company to the vendors of the Meteor shares.

The consolidated statement of earnings includes earnings of Meteor Securities Limited for the period November 1, 1967 to December 31, 1967.

The 1966 comparative figures on these financial statements do not reflect any items applicable to Meteor Securities Limited.

NOTE 2

Real estate inventory consists of the following:

Land, improvements and buildings both under construction and completed, at the lower of cost and net realizable value	\$1,087,673
Deferred indirect expenses on units under construction	91,736
	<u>1,179,409</u>
Deduct: Mortgage advances	597,264
	<u>\$ 582,145</u>

NOTE 3

Under several agreements of sale, and in accordance with the terms therein, the Company has bought land but has not yet had title transferred to it. In accordance with accepted practice in the construction industry, the purchase price, together with the corresponding liability has been reflected in the accounts.

NOTE 4

Sundry assets and prepaid expenses consist of the following:

Current portion of mortgages and notes receivable	\$224,067
Bonds, at cost	21,528
Sundry assets and prepaid expenses	<u>59,351</u>
	<u>\$304,946</u>

NOTE 5

Mortgage payable and balances owing on agreements of sale are secured by land held for sale and bear interest at rates ranging from 0% to 8%. The maturity dates are as follows:

1968	\$261,529
1969	<u>89,567</u>
	<u>\$351,096</u>

The maturity dates shown above do not reflect the prepayment of principal upon the construction or sale of real estate.

NOTE 6

Current portion of deferred liabilities consists of the following:

Current portion of deferred mortgages payable	\$140,704
Current portion of secured income debentures	105,386
Sinking fund requirement	<u>17,000</u>
	<u>\$263,090</u>

NOTE 7

Mortgages and liens payable - non-current portion

\$1,373,207

This is secured by fixed assets and commercial real property and has due dates as indicated below:

1968	10% to 12%	\$ 84,782
1969	6% to 10.85%	43,891
1970	7% to 10%	100,584
1971	10% to 12%	232,476
1972	6% to 11%	17,886
1973	7.5%	111,794
1974	6%	108,275
1975	10%	38,317
1978	7%	41,857
1990	5.7%	707,074
2000	6%	31,975
		<u>1,518,911</u>
Less: Current portion		<u>145,704</u>
		<u>\$1,373,207</u>

The maturity dates shown above reflect only the due dates of the balances owing as at December 31, 1967 and do not reflect the systematic payment of principal.

NOTE 8

The 6% Convertible Sinking Fund Debentures Series A, (herein called the "Series A Debentures") were issued pursuant to a Trust Indenture, dated as of March 15, 1962, which provided for the issuance (subject to certain conditions) of additional Debentures without limitation as to the aggregate principal amount. In the said Trust Indenture, the Company covenanted to establish a sinking fund to provide for the retirement of \$100,000 aggregate principal amount of Series A Debentures on April 1st in each of the years 1963 to 1976 inclusive. During the year, the Company purchased and cancelled \$83,000 of the Series A Debentures. In accordance with the terms of the said Trust Indenture, the \$83,000 Series A Debentures purchased and cancelled are available to the Company as a sinking fund credit. The Company prior to February 15, 1968 and subsequent to December 31, 1967, purchased for cancellation additional Series A Debentures of the Company. This additional purchase, when added to the purchase and cancellation of the aforementioned \$83,000 Series A Debentures, aggregated more than the \$100,000 sinking fund requirement due April 1, 1968. Accordingly, the Company elected to apply as a sinking fund credit this \$100,000 principal amount of Series A Debentures in satisfaction in whole of the sinking fund payment required to be made prior to April 1, 1968. Pursuant to a first Supplemental Indenture dated as of November 15, 1962, the Company issued \$700,000 aggregate principal amount of 6% Sinking Fund Debentures Series B, (herein called the "Series B Debentures") maturing November 15, 1977. The Series B Debentures were issued as collateral security only to the Company's bankers.

Pursuant to a Third Supplemental Indenture dated as of September 13, 1963, the Company issued \$150,000 aggregate principal amount 6% Debentures Series C (herein called the "Series C Debentures") maturing November 15, 1977. The Series C Debentures were issued as collateral security only to the Department of National Taxation. The income tax liability secured by the Series C Debentures has been discharged and the Debentures are in the process of being cancelled.

Pursuant to a Fourth Supplemental Indenture dated as of February 17, 1965, as approved by the Debenture-holders, the provisions relating to conversion price of the Series A Debentures and adjustments contained in the said Trust Indenture were amended. For the results of these changes, see Note 12.

The Trust Indenture and the Supplemental Indentures provide for certain restrictions on the payment of dividends on the shares of the Company.

NOTE 9

Lease Securities - This represents interest free deposits contributed by franchisees of the Red Barn System, as security to ensure the good performance of their lease obligations and will be refunded to them in equal instalments over the last ten years of their twenty year leases.

NOTE 10

Pelcor Securities Limited (herein called the Company) has issued Secured Income Debentures in the amount of \$543,700, of which \$400,300 has been reflected as a current liability.

Interest shall be paid on the Secured Income Debentures on the Interest Payment Date (as hereinafter defined) only to the extent that there are earnings of the Company available for the service thereof, up to the maximum rates of interest set forth below.

The earnings available for service on any Interest Payment Date shall be the audited Consolidated Earnings of the Company and its subsidiaries earned during the calendar year immediately preceding the Interest Payment Date after deducting all costs, expenses and the corporation

and other taxes payable by the Company but before the payment of any interest due on the Debentures or of any dividends on the outstanding shares of the Company. The Interest Payment Date shall be the earlier of June 30 in each year or a date 30 days after the audited Consolidated Financial Statements of Capital Building Industries Limited become available for the immediately preceding year. During each of the calendar years 1968 to 1977 inclusive the maximum rate of interest payable on the Debentures shall be determined by the audited Consolidated Earnings (after taxes but before the payment of interest on the Debentures) of Capital Building Industries Limited in the following manner:

<u>Consolidated Earnings of Capital Building Industries Limited</u>	<u>Rate of Interest Payable</u>
Less than \$250,000	2%
\$250,000 or More but Less Than \$300,000	3%
\$300,000 or More but Less Than \$350,000	4%
\$350,000 or More but Less Than \$400,000	5%
\$400,000 or More	6%

Principal payments on Debentures shall be made on the Interest Dates in each of the years 1974 to 1977 inclusive, equal to 20% of the aggregate principal balance outstanding on the immediately preceding December 31 provided that any such payment shall not be greater than 50% of such audited Consolidated Earnings of Capital Building Industries Limited. The balance of principal outstanding on the Debentures shall be due on January 1, 1978. If any real property owned by Meteor Securities Limited or its subsidiaries is sold, an amount equal to 50% of the net cash proceeds from the sale of any properties shall be paid to the Debenture-holders on account of principal, except that an amount equal to 100% of the net cash proceeds from the sale of one specific property, shall be paid to the Debenture-holders on account of principal.

The Debentures will be secured by (i) a fixed specific mortgage, pledge and charge of the shares owned by Meteor Securities Limited in its said subsidiaries, any real property owned by the Company at the date of creation of the Debentures and the basic "Red Barn" Franchise Agreement and (ii) a first floating charge on the undertaking of the Company and all its property and assets, real and personal, movable and immovable, of whatsoever nature and kind both present and future, otherwise than charged by the fixed specific mortgage pledge and charge aforesaid. The obligations of the Company under the Debentures will be guaranteed by four of the Company's subsidiaries. The guarantee of each of such subsidiaries will be secured by a fixed specific mortgage pledge and charge of any real property owned by each of them at the date of creation of the Debentures.

NOTE 11

A director and senior officer of the Company exercised, on December 14, 1967, his option to purchase 50,000 shares without per value in the capital of the Company at the price of \$.90 per share.

NOTE 12

The Trust Indenture dated as of March 15, 1962, provided conversion privileges for outstanding Series A Debentures at rates ranging from \$6 to \$9 per share. On February 17, 1965, a general meeting of Debenture holders approved a change in the provisions of the said Trust Indenture relating to conversion price on the Series A Debentures and adjustments. As a result of these changes and the issuance in 1965 of 333,000 shares to existing principal shareholders for \$299,700 cash plus the issuance pursuant to the exercise of an option referred to in Note 11 in 1967 of 50,000 shares for \$45,000 cash, the conversion rate is now \$3.17 principal amount of Series A Debentures per share. As a result of the aforementioned, and the purchase and cancellation by the Company during the year of \$83,000 of the Series A Debentures referred to in Note 8, 289,274 shares are now reserved for issuance upon the exercise of the conversion privileges attached to the balance of the outstanding Series A Debentures.

Twenty-five thousand shares are reserved under an employees' share option plan at \$1.85 per share, exercisable as to all or any of the optioned shares at any time from time to time commencing April 30, 1964 and expiring on April 30, 1972. In addition, options have been granted to certain directors and officers to purchase 25,000 shares at \$.90 per share at any time prior to March 22, 1970.

NOTE 13

No remuneration was paid or payable to the directors as such during the Company's fiscal period ended on December 31, 1967. The total direct remuneration paid or payable by the Company during this period to the senior officers including the five highest employees was \$84,810.

NOTE 14

Lease Requirements - Minimum annual rental costs under lease agreements which extend for more than five years from December 31, 1967 aggregate approximately:

1968-1974	\$71,400
1975-1983	69,950
1984	59,500
1985	25,500

WISE, RUMACK, HECKER, STAL AND HAYEEMS

Chartered Accountants

JACK RUMACK, C.A.
HARVEY HECKER, C.A.
ALBERT STAL, C.A.
BEN HAYEEMS, C.A.
RONALD HELLER, C.A.
L. DAVID FREEDMAN, C.A.

491 LAWRENCE AVENUE WEST, TORONTO 12, CANADA / TELEPHONE 789-1845

LICENSED TRUSTEES IN BANKRUPTCY
JACK RUMACK
BEN HAYEEMS

March 5, 1968.

Mr. C.W. Leonardi, C.A.,
Managing Director,
Capital Building Industries Limited
c/o Gairdner & Company Limited,
P.O. Box 53, Toronto-Dominion Centre,
Toronto 1, Ontario.

Dear Mr. Leonardi:

This is in reply to your query of today with regard to the purchase by Capital Building Industries Limited of all the issued shares of Meteor Securities Limited for \$750,000 in the form of 1,000,000 Capital shares.

As auditors for Capital Building Industries Limited, we participated in a good deal of the negotiations relating to the purchase of Meteor Securities Limited by Capital. In this capacity, we examined the consolidated financial statements and the individual statements of the companies making up Meteor Securities Limited as presently constituted. We were also privy to discussions relating to the profit projections applicable to the "Red Barn" operations and the value of the Canadian franchise plus the probable profits to be realized on the sale of the lands held by the Meteor group. In point of fact, sales of land since October 31, 1967 bear this out.

In addition to the above, the following factors were taken into consideration:

1. The need by Capital for experienced full-time management which it would acquire as a result of this transaction.
2. The requirement of Capital to acquire profit making operations without any cash consideration.
3. The reasonable terms attached to the income debentures, which will help the future working capital of the Company.

Based on all the aforementioned, it is our opinion that the \$750,000 price to be paid by Capital Building Industries Limited in the form of 1,000,000 Capital shares, for all the issued shares of Meteor Securities Limited is fair and reasonable.

Yours very truly,

Ronald Heller

Ronald Heller.

METEOR SECURITIES LIMITED AND SUBSIDIARY COMPANIES
(Incorporated under the Laws of Ontario)

Pro Forma Consolidated Balance Sheet as at October 31, 1967

	Assets			
	Column 1 Pro Forma Consolidated Meteor Securities Limited, Excluding Consolidated Eljaydee Investments (London) Limited (After Giving Effect to Note 1)	Column 2 Consolidated Eljaydee Investments (London) Limited	Column 3 Pro Forma Consolidated Meteor Securities Limited (After Giving Effect to Note 1)	Column 4 Pro Forma Consolidated Meteor Securities Limited (After Giving Effect to Notes 1 to 7)
CURRENT ASSETS				
Cash.....	\$ 471,398	\$ 47,508	\$ 518,906	\$ 6
Accounts Receivable.....	2,132	27,724	39,856	39,856
Current Portion of Long-Term Notes Receivable.....	—	73,945	73,945	73,945
Share Subscriptions Receivable (Notes 2 and 14).....	40,000	—	40,000	—
Prepaid Expenses.....	4,590	2,474	7,064	7,064
	<u>518,120</u>	<u>161,651</u>	<u>679,771</u>	<u>120,871</u>
LONG-TERM INVESTMENT				
Notes Receivable from Franchises for Sales of Equipment and Goodwill.....	—	194,368	194,368	194,368
Less: Current Portion.....	—	73,945	73,945	73,945
	<u>—</u>	<u>120,423</u>	<u>120,423</u>	<u>120,423</u>
INVESTMENT IN ELJAYDEE INVESTMENTS (LONDON) LIMITED, At Cost (Notes 4 and 5).....	300,400	—	—	—
FIXED ASSETS (Notes 8, 10 and 12)				
Land.....	1,459,493	123,975	1,583,468	1,583,468
Buildings.....	761,950	304,116	1,066,066	1,066,066
Equipment and Fixtures.....	—	44,405	44,405	44,405
	<u>2,221,443</u>	<u>472,496</u>	<u>2,693,939</u>	<u>2,693,939</u>
OTHER ASSETS				
Organization and Financing Expenses and Sundry Assets, At Cost Less Amortization.....	22,916	36,381	59,297	59,297
EXCESS OF COSTS OF INVESTMENT IN SHARES OF SUB- SIDIARY COMPANIES OVER BOOK VALUE OF THE NET ASSETS.....	40,000	171,449	211,449	211,449
TOTAL ASSETS.....	\$3,102,879	\$962,400	\$3,764,879	\$3,205,979
	Liabilities			
CURRENT LIABILITIES				
Bank Advances.....	\$ 252,800	\$ 23,500	\$ 276,300	\$ 276,300
Accounts Payable and Accrued Liabilities.....	17,906	104,204	122,110	122,120
Taxes Payable.....	2,578	20,184	22,762	22,762
Current Portion of Long-Term Debt.....	47,708	113,702	161,410	161,410
Note Payable—Shareholder, Due December 29, 1967 (Note 3).....	30,000	—	30,000	—
	<u>350,992</u>	<u>261,590</u>	<u>612,582</u>	<u>582,592</u>
DEFERRED LIABILITIES				
Lease Securities (Note 13).....	—	94,000	94,000	94,000
Deferred Finance Revenue.....	—	25,257	25,257	25,257
	<u>—</u>	<u>119,257</u>	<u>119,257</u>	<u>119,257</u>
LONG-TERM DEBT (Note 12)				
Liens Payable on Equipment.....	—	73,359	73,359	73,359
Mortgages and Note Payable.....	1,398,168	249,313	1,647,481	1,647,481
	<u>1,398,168</u>	<u>322,672</u>	<u>1,720,840</u>	<u>1,720,840</u>
Less: Current Portion.....	47,708	113,702	161,410	161,410
	<u>1,350,460</u>	<u>208,970</u>	<u>1,559,430</u>	<u>1,559,430</u>
SECURED INCOME DEBENTURES, Due January 1, 1978 (Notes 6 and 8).....	—	—	—	943,700
MINORITY INTEREST IN SHARES OF SUBSIDIARY (Note 4)	—	—	60,100	—
	Shareholders' Equity			
CAPITAL STOCK (Notes 7, 11 and 14)				
Preference Shares.....	\$1,433,500	\$360,000	\$1,433,500	\$ 1,000
Common Shares.....	1,000	500	1,000	1,000
	<u>1,434,500</u>	<u>360,500</u>	<u>1,434,500</u>	<u>1,000</u>
RETAINED EARNINGS (DEFICIT), Column 4 Includes Contributed Surplus of \$20,990 Arising on Re- demption of Preference Shares (Note 7).....	(33,073)	12,083	(20,990)	—
	<u>1,401,427</u>	<u>372,583</u>	<u>1,413,510</u>	<u>1,000</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$3,102,879	\$962,400	\$3,764,879	\$3,205,979

Signed on behalf of the Board

D. H. SWIFT, *Director*

R. W. YANTIS, *Director*

METEOR SECURITIES LIMITED AND SUBSIDIARY COMPANIES

**Pro Forma Consolidated Statement of Retained Earnings
for the Ten Months ended October 31, 1967**

	Column 1 Pro Forma Consolidated Meteor Securities Limited, Excluding Consolidated Eljaydee Investments (London) Limited (After Giving Effect to Note 1)	Column 2 Consolidated Eljaydee Investments (London) Limited	Column 3 Pro Forma Consolidated Meteor Securities Limited (After Giving Effect to Note 1)	Column 4 Pro Forma Consolidated Meteor Securities Limited (After Giving Effect to Notes 1 to 7)
DEFICIT—BEGINNING OF YEAR.....	\$ 112,419	\$ —	\$ 112,419	\$ 112,419
Less: Deficits of Subsidiary Companies Sold as of October 31, 1967 (Post Acquisition Only) (Note 1).....	89,452	—	89,452	89,452
	<u>22,967</u>	<u>—</u>	<u>22,967</u>	<u>22,967</u>
Less: Net Earnings (Loss) for the Period.....	(10,106)	12,083	1,977	1,977
Discount on Redemption of Preference Shares (Note 7).....	—	—	—	20,990
	<u>(33,073)</u>	<u>12,083</u>	<u>(20,990)</u>	<u>—</u>
RETAINED EARNINGS (DEFICIT)—END OF PERIOD.....	\$ (33,073)	\$ 12,083	\$ (20,990)	\$ —

**Pro Forma Consolidated Statement of Earnings
for the Ten Months ended October 31, 1967
(Note 9)**

	Column A Pro Forma Consolidated Meteor Securities Limited, Excluding Consolidated Eljaydee Investments (London) Limited	Column B Consolidated Eljaydee Investments (London) Limited	Column C Pro Forma Consolidated Statement of Earnings
REVENUE			
Rental Income.....	\$ 93,297	\$ 45,264	\$138,561
Interest and Finance Income.....	32,386	4,108	36,494
Royalty Income.....	—	24,062	24,062
Sundry Income.....	7,727	6,125	13,852
	<u>133,410</u>	<u>79,559</u>	<u>212,969</u>
EXPENSES			
Salaries and Wages.....	17,856	11,244	29,100
Royalties.....	—	7,053	7,053
Interest on Long-Term Debt.....	77,814	9,410	87,224
Sundry Interest Charges.....	283	537	820
Rent.....	—	19,447	19,447
Legal and Audit.....	4,560	4,176	7,736
Insurance and Taxes.....	9,878	2,305	12,183
Repairs and Maintenance.....	3,047	239	3,286
Utilities.....	2,400	776	3,176
Advertising, Promotion and Travel.....	1,648	1,799	3,447
Miscellaneous and Office.....	2,537	2,053	4,590
	<u>120,023</u>	<u>58,039</u>	<u>178,062</u>
NET EARNINGS, Before Depreciation, Amortization and In- come Taxes.....	13,387	21,520	34,907
Depreciation and Amortization.....	21,123	6,243	27,366
NET EARNINGS (LOSS) FROM OPERATIONS, Before Income Taxes.....	(7,736)	15,277	7,541
Provision for Income Taxes (Column A—Note 16).....	2,370	3,194	5,564
NET EARNINGS (LOSS) FOR THE PERIOD.....	\$ (10,106)	\$ 12,083	\$ 1,977

METEOR SECURITIES LIMITED

Notes to Pro Forma Consolidated Financial Statements for the Ten Months ended October 31, 1967

1. The Company sold its investments in six of its subsidiaries to Thameside Investments Limited as of October 31, 1967 for a consideration of \$499,288 which amount to the extent of \$27,287 represented the book value of the investments of the Company in the shares of such subsidiaries and to the extent of \$472,001 represented advances to such subsidiaries. The consideration paid was reduced by the assumption by the purchaser of certain liabilities of the Company in the amount of \$30,488. The net consideration of \$468,800 received subsequent to the balance sheet date has been considered received as of October 31, 1967.
2. The share subscription receivable of \$40,000 received subsequent to the balance sheet date has been considered received as of October 31, 1967.
3. The note payable to shareholders of \$30,000 paid subsequent to the balance sheet date has been considered paid as of October 31, 1967.
4. The Company has purchased the minority interest in Eljaydee Investments (London) Limited, being 1,000 Preference Shares partly paid up at \$60,000 and 10,000 Common Shares fully paid at \$100, for \$60,100.
5. Eljaydee Investments (London) Limited has redeemed 450 Preference Shares partly paid in the amount of \$32,400, being the amount paid up thereon.
6. The Company has issued Secured Income Debentures in the amount of \$943,700 to Thameside Investments Limited for cash consideration of \$943,700.
7. The Company has redeemed all of its Preference Shares having a Par Value of \$1,433,500 at a discount of \$20,990 for a net consideration of \$1,412,510.
8. Interest shall be paid on the Secured Income Debentures on the Interest Payment Date (as hereinafter defined) only to the extent that there are earnings of the Company available for the service thereof, up to the maximum rates of interest set forth below.

The earnings available for service on any Interest Payment Date shall be the audited Consolidated Earnings of the Company and its subsidiaries earned during the calendar year immediately preceding the Interest Payment Date after deducting all costs, expenses and the corporation and other taxes payable by the Company but before the payment of any interest due on the Debentures or of any dividends on the outstanding shares of the Company. The Interest Payment Date shall be the earlier of June 30 in each year or a date 30 days after the audited Consolidated Financial Statements of Capital Building Industries Limited become available for the immediately preceding year. During each of the calendar years 1968 to 1977 inclusive the maximum rate of interest payable on the Debentures shall be determined by the audited Consolidated Earnings (after taxes but before the payment of interest on the Debentures) of Capital Building Industries Limited in the following manner:

Consolidated Earnings of Capital Building Industries Limited	Rate of Interest Payable
Less than \$250,000.....	2%
\$250,000 or More but Less than \$300,000.....	3%
\$300,000 or More but Less than \$350,000.....	4%
\$350,000 or More but Less than \$400,000.....	5%
\$400,000 or More.....	6%

Principal payments on Debentures shall be made on the Interest Payment Dates in each of the years 1974 to 1977 inclusive, equal to 20% of the aggregate principal balance outstanding on the immediately preceding December 31 provided that any such payment shall not be greater than 50% of such audited Consolidated Earnings of Capital Building Industries Limited. The balance of principal outstanding on the Debentures shall be due on January 1, 1978. If any real property owned by Meteor Securities Limited or its subsidiaries is sold, an amount equal to 50% of the net cash proceeds from the sale of any properties shall be paid to the Debenture holders on account of principal, except that an amount equal to 100% of the net cash proceeds from the sale of 700 Talbot Street, St. Thomas, Ontario shall be paid to the Debenture holders on account of principal.

The Debentures will be secured by (i) a fixed specific mortgage, pledge and charge of the shares owned by Meteor Securities Limited in its said subsidiaries, any real property owned by the Company at the date of creation of the Debentures and the basic "Red Barn" Franchise Agreement and (ii) a first floating charge on the undertaking of the Company and all its property and assets, real and personal, movable and immovable, of whatsoever nature and kind both present and future, otherwise than charged by the fixed specific mortgage pledge and charge aforesaid. The obligations of the Company under the Debentures will be guaranteed by four of the Company's subsidiaries (Haldonia London Limited, The Extension Garage (London) Limited, The Centennial Buildings (London) Limited and Eljaydee Investments (London) Limited). The guarantee of each of such subsidiaries will be secured by a fixed specific mortgage, pledge and charge of any real property owned by each of them at the date of creation of the Debentures.

9. Basis of Consolidation

The pro forma consolidated financial statements include the accounts of The Centennial Buildings (London) Limited, The Extension Garage (London) Limited, Haldonia London Limited and Eljaydee Investments (London) Limited and its subsidiaries Harfred Restaurant Equipment Limited, Red Barn Restaurants (Canada) Limited, Red Barn Shops (Canada) Limited and Red Barn System (Canada) Limited, with inter-company accounts eliminated. Eljaydee Investments (London) Limited acquired all of the shares of its subsidiaries as of August 1, 1967, and accordingly the operations of these companies for only the three months ended October 31, 1967 have been considered in this statement.

10. Fixed Assets

Land, buildings, store equipment and office furniture and equipment and their related accumulated depreciation are classified as follows:

	Cost	Accumulated Depreciation	Net After Depreciation
Land.....	\$1,583,468	\$ —	\$1,583,468
Buildings.....	1,208,928	142,862	1,066,066
Store Equipment.....	82,626	41,990	40,636
Office Furniture and Equipment.....	8,609	4,840	3,769
	<u>\$2,883,631</u>	<u>\$189,692</u>	<u>\$2,693,939</u>

11. Capital Stock

Meteor Securities Limited (Columns 1 and 3)

Authorized

- 18,000 Preference Shares, 5% Non-Cumulative, Non-Voting, Purchasable, Redeemable, Par Value \$100 Each
- 10,000 Common Shares, No Par Value

Issued and Fully Paid

— 14,335 Preference Shares	\$1,433,500
• 10,000 Common Shares	1,000
	<u>\$1,434,500</u>

Authorized

- 9,550 Preference Shares, 6% Non-Cumulative, Non-Voting, Non-Participating, Redeemable, Par Value \$100 Each
- 100,000 Common Shares, No Par Value

Issued

—5,000 Preference Shares (Partly Paid).....	\$ 360,000
—50,000 Common Shares (Fully Paid).....	500
	<u>\$ 360,500</u>

12. Long-Term Debt

The long-term debt outstanding as at October 31, 1967 is secured by fixed assets and has due dates as indicated below:

1968 — 10%	to 12%	— \$ 94,652
1969 — 6%	to 10.85%	— 50,727
1970 — 7%	to 10%	— 219,231
1971 — 10%	to 12%	— 233,317
1972 — 6½%	to 11%	— 33,655
1974 — 6%		— 108,436
1975 — 5%	to 10%	— 85,783
1977 — 8%		— 41,500
1978 — 7%		— 42,112
1982 — 6%		— 104,500
1990 — 5¾%		— 706,927
Total — October 31, 1967 —		<u>\$1,720,840</u>

The maturity dates shown above reflect only the due dates of the balances owing as at October 31, 1967 and do not reflect the systematic payment of principal.

13. Lease Securities

This represents interest free deposits contributed by franchisees as security to ensure the good performance of their lease obligations and will be refunded to them in equal instalments over the last ten years of their twenty year leases.

14. Issue of Preference Shares

The Company issued 500 Preference Shares during the period for \$50,000, of which \$10,000 was received in cash on issue and the balance of \$40,000 was received in cash subsequent to the balance sheet date.

15. Lease Requirements

Minimum annual rental costs under lease agreements which extend for more than five years from October 31, 1967 aggregate approximately:

1968-1974—	\$71,400
1975-1983—	69,950
1984 —	59,500
1985 —	25,500

16. Income Taxes (Column A)

Meteor Securities Limited (unconsolidated) has a taxable income of \$10,300 and it is on this amount that income taxes of \$2,370 have been provided.

17. Aggregate direct remuneration paid by the Company and its subsidiaries to the five highest paid employees, including Directors and Officers, was \$27,835. No Directors fees, as such, were paid during the period

METEOR SECURITIES LIMITED AND SUBSIDIARY COMPANIES

Auditors' Report to the Shareholders

We have examined the pro forma consolidated balance sheet of Meteor Securities Limited as at October 31, 1967 and the pro forma consolidated statements of earnings and retained earnings for the ten month period then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these pro forma consolidated financial statements, when read in conjunction with the notes appended thereto, present fairly the financial position of the Companies as at October 31, 1967 and the results of their operations for the ten month period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

DATED: January 25, 1968

M. J. VISE, R. M. HECKER, S. J. STAL AND H. J. HAYEEMS
Chartered Accountants

To The Shareholders
Capital Building Industries Limited
Windsor, Ontario

Re: Meteor Securities Limited

In accordance with an agreement made on the 9th of November, 1967, between the vendors of the shares of Meteor Securities Limited and Capital Building Industries Limited, we have examined and approve the audited pro forma consolidated financial statements of Meteor Securities Limited as at October 31, 1967.

DATED: January 25, 1968.

VISE, RUMACK, HECKER, STAL AND HAYEEMS
Chartered Accountants

10. Brief statement of company's chief development work during past year.	The Company operated in the Windsor, Hamilton and Ottawa areas with major emphasis in Windsor. Various parcels of real estate were purchased, sold and developed during the normal course of the Company's business. The total number of houses sold and closed in 1967 was 181.												
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	See Schedule "C" on page 4.												
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	See Schedule "C" on page 4.												
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	None.												
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	None.												
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	<p>The persons beneficially owning, directly or indirectly, shares carrying more than 10% of the voting rights of the Company's shares are as follows:</p> <table><tr><td></td><td>No. of Shares</td><td>Percentage</td></tr><tr><td>Glengair Investments Limited</td><td>163,149</td><td>11.4%</td></tr><tr><td>Netherlands Overseas Bank of Amsterdam</td><td>184,100</td><td>12.8%</td></tr><tr><td>William George Dingwall</td><td>223,400</td><td>15.6%</td></tr></table> <p>Glengair Investments Limited is controlled by The Glengair Group Limited which is controlled by Mr. J.S. Gairdner. I have no way of knowing who are the shareholders of Netherlands Overseas Corporation of Canada Limited.</p>		No. of Shares	Percentage	Glengair Investments Limited	163,149	11.4%	Netherlands Overseas Bank of Amsterdam	184,100	12.8%	William George Dingwall	223,400	15.6%
	No. of Shares	Percentage											
Glengair Investments Limited	163,149	11.4%											
Netherlands Overseas Bank of Amsterdam	184,100	12.8%											
William George Dingwall	223,400	15.6%											
16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	<p>Glengair Investments Limited P.O. Box 53, Toronto-Dominion Centre, Toronto 1, Ontario.</p> <p>Netherlands Overseas Bank of Amsterdam, Suite 2504, 44 King Street West, Toronto 1, Ontario</p> <p>Mr. W.G. Dingwall, 6020 Riverside Drive East, Windsor, Ontario.</p> <p>After the issue of the 1,000,000 shares:--</p> <p>Mardic Limited - Mr. R.W. Yantis, 5 Doncaster Ave., London, Ontario.</p> <p>Mr. D.H. Swift, 10 Beechwood Place, London, Ontario.</p>												
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	<p>The Company has a number of wholly-owned subsidiaries through which it carries on its business, namely:</p> <p>Capital Quality Homes Limited Capitaland Limited Essex Cabinet Makers (Ontario) Limited Capital Quality Homes (Quebec) Limited Capitaland (Quebec) Limited Essex Cabinet Makers (Quebec) Limited</p>												
18. Brief statement of any lawsuits pending or in process against company or its properties.	None.												
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	None. The Company has the usual contracts concerning the development of real estate which is its business.												
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	<p>The vendors do intend to hold the shares of the Company for investment purposes.</p> <p>No shares in the course of primary distribution.</p>												

CERTIFICATE OF THE COMPANY

DATED February 20, 1968

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"W.G. Dingwall"

"C.W. Leonard"

CORPORATE
SEAL

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

THE TORONTO STOCK EXCHANGE

FILING STATEMENT NO. 1646.
FILED, SEPTEMBER 27th, 1968.

CAPITAL BUILDING INDUSTRIES LIMITED

Full corporate name of Company
incorporated under Part I of The Corporations Act (Ontario) by
Letters Patent dated February 16, 1962.

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953
(Ontario) by Letters Patent dated May 1st, 1957).

FILING STATEMENT

Reference is made to previous
Filing Statement No. 1601.

(To be filed with respect to any material change in a company's affairs, including among other things,
an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.	See Schedule "A" on pages 3 and 4.
2. Head office address and any other office address.	100 Queens Avenue, London, Ontario.
3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.	See Schedule "B" on page 5.
4. Share capitalization showing authorized and issued and outstanding capital.	Authorized capital 5,000,000 shares without par value. Outstanding 2,656,500.
5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.	\$464,000 6 $\frac{1}{4}$ % convertible Sinking Fund Debentures Series "A" maturing April 1, 1977.
6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.	608,720 shares without par value to be issued as fully paid and non-assessable in satisfaction of the Offer to the holders of the 6 $\frac{1}{2}$ % cumulative redeemable convertible first preference shares Series A with a par value of \$25.00 each and common shares without nominal or par value resident in the Province of Ontario only of Frontier Acceptance Corporation Limited. 235,604 shares without par value are reserved for issuance pursuant to provisions contained in the said Offer to the said shareholders of Frontier Acceptance Corporation Limited upon exercise of their right to purchase shares under the Common Share Purchase Warrants, Series A, issued as part of the consideration in that Offer entitling holders to purchase shares at \$3.00 per share until July 16, 1973. 500,000 shares without par value are reserved for issuance upon conversion of the \$1,250,000 7 $\frac{1}{2}$ % subordinated convertible debentures to be issued as of June 30, 1968 and to mature as of June 30, 1978. 50,000 shares without par value are reserved for issuance to Cochran, Murray & Co. Limited upon exercise of a share purchase warrant designated as "Common Share Purchase Warrant, Series B", entitling the holder to purchase shares at \$2.50 per share until June 30, 1973 and at \$3.50 per share if exercised thereafter and up to and including June 30, 1978. There are 215,540 shares reserved for issuance upon conversion of the convertible sinking fund debentures, Series A. Five hundred shares are reserved under an employees' share option plan at \$1.85 per share, exercisable as to all or any of the optional shares from time to time commencing April 30, 1964 and expiring April 30, 1972.

7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.	Cochran, Murray & Co. Limited to 50,000 shares exercisable under the share purchase warrant designated as "Common Share Purchase Warrants, Series B", as described in paragraph 6 issued by the Company to Cochran, Murray & Co. Limited as a part of the consideration for the services of Cochran, Murray & Co. Limited 500 shares - Mr. I. Sartori
8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.	Common Share Purchase Warrants, Series B are to be issued to Cochran, Murray & Co. Limited entitling the bearer to purchase 50,000 shares without nominal or par value of the Company at \$2.50 per share exercisable to June 30, 1973 and thereafter and up to June 30, 1978 at \$3.50 per share as part of the consideration for Cochran, Murray & Co. Limited purchasing \$1,250,000 7½% subordinated convertible debentures pursuant to an agreement dated June 20, 1968
9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.	No proceeds of sale are being received with respect to the 608,720 shares to be issued to and 235,604 shares reserved for the shareholders resident in the Province of Ontario only of Frontier Acceptance Limited See Schedule "C" on page 6.
10. Brief statement of company's chief development work during past year.	The construction division of the Company is operated in Windsor and Amherstburg. The total number of houses sold and closed at these locations was 45. A 32 unit townhouse project at Amherstburg was complete in 1968 and is fully rented. The manufacturing division located at Ottawa has its largest ever dollar volume of orders on hand. Red Barn division is expanding so as to have a total of 21 stores in operation by the year end 1968. Various parcels of real estate were sold during the normal course of the Company's business.
11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.	See Schedule "D" on page 6.
12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.	See Schedule "D" on page 6.
13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.	NONE
14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)	NONE
15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.	See Schedule "E" on page 6.

Material Changes in the affairs of the Company in respect of which this Statement is filed.

(a) Frontier Acceptance Corporation Limited

On the 15th day of June, 1968 the Company submitted an Offer to the holders of the 6½% cumulative redeemable convertible first preference shares Series A with a par value of \$25.00 each and to the holders of the common shares without nominal or par value resident in the Province of Ontario only of Frontier Acceptance Corporation Limited to acquire their shares on the following basis:

(i) The holder of each outstanding 6½% cumulative redeemable convertible first preference shares Series A with a par value of \$25.00 each of Frontier Acceptance Corporation Limited was to receive a payment of Nine Common shares in the capital stock of the Company without nominal or par value plus three common shares purchase warrants with each warrant giving the right to purchase One additional common share in the capital stock of the Company without nominal or par value at \$3.00 per share exercisable at any time up to the close of business on July 16, 1973 and

(ii) The holder of each common share without nominal or par value in the capital stock of Frontier Acceptance Corporation Limited was to receive 2½ Common shares in the capital stock of the Company without nominal or par value plus One warrant giving the right to purchase one additional common share in the capital stock of the Company without nominal or par value at \$3.00 per share exercisable up to the close of business on July 16, 1973.

This Offer was made subject to certain conditions. The Company advised the Depositary Agent on July 15, 1968 that all conditions of the Offer had been met and that the Offer would be extended to July 19, 1968 for the benefit of any of the shareholders resident in the Province of Ontario only who had been unable to deposit their preference and common shares by July 15, 1968. Of 15,370 preference shares Series A and 198,685 common shares issued and outstanding of Frontier, the Depositary Agent has advised the Company that 13,140 preference shares or approximately 85% of the said preference shares and 196,184 common shares or 99% of the said common shares of Frontier were deposited under the Offer as extended. At the time of making the Offer on June 15, 1968, Frontier had outstanding 15,370 preference shares and 188,685 common shares. Prior to July 19, 1968, Frontier had issued a further 10,000 common shares as a result of the exercise of options to purchase granted to certain officers of the Frontier so that at July 19, 1968, Frontier had outstanding 15,370 preference shares and 198,685 common shares.

Frontier Acceptance Corporation will be operated by the Company as an independent subsidiary company which should serve to further strengthen the management and resources of both companies. The financial experience of Frontier Acceptance Corporation Limited will assist the Company in its proposed expansion and development of both current and future programs through its various operating divisions.

(b) Issue of \$1,250,000 7½% Convertible Subordinated Debentures

On the 20th day of June, 1968 the Company entered into a firm agreement whereby it agreed to sell and Cochran, Murray & Co. Limited agreed to purchase \$1,250,000 7½% Convertible Subordinated Debentures to be dated as of June 30, 1968 and to mature June 30, 1978 with interest to be payable thereon semi-annually. The said Convertible Subordinated Debentures are to be convertible into common shares of the Company as presently constituted until June 30, 1973 at the rate of 400 common shares for each \$1,000 Debenture and thereafter at the rate of 286 common shares for each \$1,000 Debenture to maturity, subject to adjustment. As commission, Cochran, Murray & Co. Limited will receive \$31,250 cash and purchase warrants entitling the holders to purchase 50,000 common shares of the Company as presently constituted at \$2.50

per share until June 30, 1973 and thereafter at \$3.50 per share until June 30, 1978. As a result of this agreement the Company has called for redemption its outstanding 6½% Convertible Sinking Fund Debentures Series A and has arranged with its bankers for the surrender and cancellation of the \$700,000 6% Sinking Fund Debenture Series B issued to its bankers as collateral security.

Of the net proceeds to be received by the Company on the closing of this transaction on the 25th day of July, 1968, the Company will be depositing with The Canada Trust Company a sum estimated to be about \$500,000 in order to provide the said The Canada Trust Company with the maximum amount of funds which may be required by it to satisfy the redemption price of the issued and outstanding 6½% convertible sinking fund debentures, Series A due April 1, 1977 which have been called for redemption on August 15, 1968. It is estimated that approximately \$500,000 will be required to purchase the issued and outstanding shares of J-L Vitamins and Cosmetics Limited as hereinafter provided. The balance of the proceeds will be utilized in payment of the cost and commissions of the debenture transaction and for general corporate purposes.

(c) Keystone Custodian Funds Inc.

Keystone Custodian Funds Inc., as Trustee for Keystone Canadian Funds Series B4 and Keystone Custodian Funds Series K1, which own 40,000 share purchase warrants of Frontier Acceptance Corporation Limited issued in connection with Frontier's 6 7/8% senior subordinated notes exercisable at \$6.25 per share on or before the expiration date of December 15, 1977, has agreed to exchange with Capital its said 40,000 share purchase warrants of Frontier Acceptance Corporation Limited for 48,000 common share purchase warrants of the Company subject to adjustment exercisable at \$2.50 per common share to December 15, 1977.

(d) J - L Vitamins and Cosmetics Limited

The Company has executed an agreement dated as of the 18th day of July, 1968 to acquire from Maurice Lever and Melitta Lever both of London, Ontario, all of the issued and outstanding shares of the capital stock of J - L Vitamins and Cosmetics Limited for a cash consideration to be based upon a financial statement of J - L Vitamins and Cosmetics Limited to be prepared as of July 20, 1968. The proposed closing has been set at not later than the 30th day of September, 1968. The Offer is subject to the condition that the Board of Directors of the Company approve the purchase of the said shares of J - L Vitamins and Cosmetics Limited upon receipt of the said audited financial statements of that Company to be prepared as at July 20, 1968. Upon completion of the transaction J - L Vitamins and Cosmetics Limited will become a wholly owned subsidiary of the Company.

J - L Vitamins and Cosmetics Limited operates eight discount stores two of which are located in the City of Hamilton, One of which is located in the City of Chatham, and Five of which are located in the City of London. A wholesale warehouse is located in the City of London. The Company anticipates that the business of J - L Vitamins and Cosmetics Limited will be increased by franchising the discount locations to operators and selling those locations the necessary items through its wholesale operation.

Mr. Maurice Lever, the President of J - L Vitamins and Cosmetics Limited will remain as President of that Company. The agreement entered into with the shareholders of J-L Vitamins and Cosmetics Limited and Capital Building Industries Limited is at arms-length and none of the directors, officers or large shareholders of Capital Building Industries Limited will receive any part of the consideration to be paid. The purchase price to be paid by the Company for the said shares of J-L Vitamins and Cosmetics Limited will be the aggregate of \$270,000 as payment on account of goodwill plus the net worth of the Company as shown on the audited financial statement of J-L Vitamins and Cosmetics Limited to be prepared as at July 20, 1968, which has been estimated to be about \$180,000.

(e) On July 22, 1968 two of the former directors of Capital Building Industries Limited resigned and on the same date two directors have been appointed to fill these vacancies. See item 3 Schedule "B" for particulars. See Schedule "B: on page 5.

DIRECTORS AND OFFICERS

The names and home addresses in full of the directors and officers of Capital and the positions and offices held by each of them and their respective principal occupations are:

<u>Name and address</u>	<u>Office</u>	<u>Principal Occupation</u>
John William Adams, 1597 Ryersie Street, London, Ontario.	Director	Vice-President, Finance and Treasurer Enco Limited, London, Director, Frontier Acceptance Corporation Limited.
Charles Norman Chapman, 51 Westchester Drive, London, Ontario.	Director	Vice-President, Enco Limited, London. Director, Frontier Acceptance Corporation Limited.
William George Dingwall, 6020 Riverside Drive, Windsor, Ontario.	Director	Executive, Dinvest Management Limited.
*James Brooke Gibson 22 Hunt Village Crescent, London, Ontario.	Vice-President Operations Secretary	Officer Capital Building Industries Limited.
John David Harrison, Q.C., 281 Commissioners Road, E., London, Ontario.	Director	Barrister, Harrison, Elwood, Gregory, et al.
Clarence William Leonardi, 288 Dalewood Drive, Oakville, Ontario.	Director	Vice-President, The Glengair Group Limited.
Ninian Townsend Sanderson, 543 Sanatorium Road, London, Ontario.	Director	President, Nintosa Investments Limited.
John Raymond Shemilt, 51 Montessor Drive, Willowdale, Ontario.	Director	Manager, Netherlands Overseas Corporation of Canada
Donald Harold Swift, Apt. 1008, 520 Wellington Street,	Director President	Officer, Capital Building Industries Limited.
Richard William Yantis, 5 Doncaster Avenue, London, Ontario.	Director	Chairman of the Board, Avco-Delta Corpora- tion, Canada Limited.

* Not a Director, Officer only..

NOTE: On July 22, 1968, Robert George Crompton and Edwin Allan Lovelace each resigned as directors of the Company and John William Adams and Charles Norman Chapman were elected as directors in their places.

SCHEDULE "C"Item #9

The Company's future development plans are to increase the number of Red Barn outlets in the Province of Ontario to a total of 21 for the current year and to increase the number of outlets to 100 across Canada prior to year end 1970. Negotiations are proceeding for the construction of an eight storey office building in downtown London with an international corporation as the main tenant to be commenced on or about the 1st day of August, 1968. The experience of the management of Frontier Acceptance Corporation Limited should be of considerable assistance to Capital with respect to its proposed expansion of the Red Barn locations and development of future programs through its various operating divisions.

SCHEDULE "D"Items 11 and 12Re: J - L Vitamins and Cosmetics Limited

The names of the Vendors of all of the issued and outstanding shares of J - L Vitamins and Cosmetics Limited to be acquired by the Company subject to the provisions of an agreement dated the 18th day of July 1968 are as follows:

Maurice Lever,
1628 Stoneybrook Crescent,
London, Ontario.

Melitta Lever,
1628 Stoneybrook Crescent,
London, Ontario.

The consideration to be paid for the issued and outstanding shares of J - L Vitamins and Cosmetics Limited is to be paid in cash subject to an audited financial statement to be prepared as at July 20, 1968. It is not expected that this audited financial statement will be available before September 10th, 1968. The portion of the purchase price to be paid to the respective Vendors has not been determined at this time.

The above- mentioned Vendors each own more than Five per-cent (5%) interest in the shares of the capital stock of J - L Vitamins and Cosmetics Limited.

SCHEDULE "E"Item #15

The following are the names, addresses and shareholdings of the five largest registered shareholders:

<u>Name</u>	<u>Addresses</u>	<u>Shareholdings</u>
D. H. Swift	Apt. 1008, 520 Wellington St., London, Ontario.	480,050
William George Dingwall	6020 Riverside Dr., Windsor, Ontario.	223,400
Netherlands Overseas Bank of Amsterdam	Toronto, Ontario.	184,100
Mardic Limited	5 Doncaster Ave., London, Ontario.	184,000
Glengair Investments Limited	c/o Gairdner, The Toronto-Dominion Centre, Toronto, Ontario.	163,149

D. H. Swift, William George Dingwall and Mardic Limited are the beneficial owners of the above shares. Glengair Investments Limited is controlled by Glengair Group Limited which is controlled by Mr. J. S. Gairdner. We have no way of knowing who are the shareholders of Netherlands Overseas Corporation of Canada Limited of which Netherlands Overseas Bank of Amsterdam is a wholly-owned subsidiary.

CAPITAL BUILDING INDUSTRIES LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET

cost of Red Barn franchise and excess of cost of shares of a subsidiary over equity acquired therein	<i>cash</i>	960,437
	<u>Approved on Behalf of the Board of Directors</u>	<u>\$1,096,649</u>
	<u>\$9,218,391</u>	<u>\$7,569,921</u>

D. D. Jett - Director & General

CAPITAL BUILDING INDUSTRIES LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF FUNDS

	Six Months Ended June 30		(Note 5)
	1968	1968	1967
	Pro-Forma	Actual	Actual
	(See Notes)		
Funds were obtained from:			
Net earnings for the period	\$ 260,041	\$ 260,041	\$ 48,234
Add charges to earnings not requiring cash expenditures:			
Depreciation	28,400	28,400	6,179
Amortization of financing expense	4,028	4,028	4,028
	\$ 292,469	\$ 292,469	\$ 58,441
Less net earnings of unconsolidated finance subsidiary	67,419	67,419	76,667
Total funds obtained from earnings (deficit)	\$ 225,050	\$ 225,050	(\$ 18,226)
Mortgages & notes receivable, properties & other investments (net)	41,776	41,776	66,727
Increase in long-term debt after deducting cost of issuance	1,184,806		
Sales of common shares under employee stock option	2,312	2,312	
Mortgages payable	153,687	153,687	
Sale of fixed assets (net of additions)			35,874
Total funds obtained	\$1,607,631	\$ 422,825	\$ 84,375
Funds were applied to:			
Acquisition of fixed assets (net of sales)	\$ 592,602	\$ 592,602	
Reduction of long-term debt (net)		15,194	\$ 101,080
Loss on disposal of revalued equipment			46,060
Other	12,495	12,495	1,350
Total funds applied	\$ 605,097	\$ 620,291	\$ 148,490
Increase (decrease) in working capital	\$1,002,534	(\$ 197,466)	(\$ 64,115)

CAPITAL BUILDING INDUSTRIES LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF EARNINGS

	Six Months Ended June 30,		(Note 5)
	1968	1967	1967
Sales	\$1,606,431	\$2,812,024	
Cost of sales	1,335,198	2,555,548	
	\$ 271,233	\$ 256,476	
Add:			
Other income, including franchise operations	430,666	31,609	
Net earnings of unconsolidated finance subsidiary	67,419	76,667	
	\$ 769,318	\$ 364,752	
Deduct:			
Selling, general and administrative expenses	\$ 396,446	\$ 275,061	
Interest on long-term debt	86,303	31,250	
Depreciation	28,400	6,179	
Amortization of financing expense	4,028	4,028	
	\$ 515,177	\$ 316,518	
	\$ 254,141	\$ 48,234	
Gain on purchase and cancellation of Company debentures	5,900	—	
	\$ 260,041	\$ 48,234	
NET EARNINGS	\$ 260,041	\$ 48,234	
Net earnings per common share	\$.08	\$.02	

NOTES TO UNAUDITED CONSOLIDATED BALANCE SHEET,
STATEMENT OF SOURCE AND APPLICATION OF FUNDS,
AND STATEMENT OF EARNINGS

The attached statements at June 30, 1968 have been prepared based on the following:

1. The acquisition in July, 1968 of all of the outstanding preference and common shares of Frontier Acceptance Corporation Limited and the accounting for the acquisition on a pooling-of-interest basis.
2. The issuance for cash on July 26, 1968 of \$1,250,000, 7½% Convertible Subordinated Debentures of Capital Building Industries Limited and the application of part of the proceeds to retire bank indebtedness.
3. The conversion of \$583,500, 6¼% Convertible Sinking Fund Debentures Series A, which have been called for redemption, into common shares.
4. Warrants and convertible securities outstanding grant to the holders thereof rights to purchase or convert into a total of 832,795 common shares at prices from \$2.50 to \$3.00 a share, which shares are not included in the pro-forma outstanding shares.
5. The statement for the six months ended June 30, 1967 has been restated to include the earnings of Frontier Acceptance Corporation Limited, which was acquired in July, 1968 on a pooling-of-interest basis.

J - L VITAMINS AND COSMETICS LIMITED

(Incorporated under the Laws of Ontario)

BALANCE SHEET AS AT JULY 20, 1968

ASSETS

CURRENT ASSETS

Cash	\$ 1,875
Accounts Receivable	58,318
Inventory, Valued at the Lower of Approximate Cost or Net Realizable Value	585,212
Deposits	765
Deferred Charges	8,818
Prepaid Expenses	8,021
	<u>663,009</u>

CURRENT LIABILITIES

Bank Advances (Note 1)	\$137,423
Accounts Payable and Accrued Liabilities	243,163
Notes and Loans Payable - Current Portion	45,269
Loan Payable - Shareholder	6,288
Income Taxes Payable	47,436
Accrued Bonus - Shareholder	15,000
Accrued Bonus - Current Portion	<u>494,529</u>

LONG-TERM LIABILITIES - Non-Current Portion (Note 2)

Notes and Loans Payable	48,992
Accrued Bonus - Shareholder	15,000
	<u>63,992</u>

FIXED ASSETS

Store Fixtures and Equipment	Cost	Accumulated Depreciation
Office Furniture and Equipment	\$ 94,173	\$ 39,864
Automotive Equipment	7,639	2,766
Leasehold Improvements	23,454	8,200
	3,229	1,152
	<u>\$128,195</u>	<u>\$ 51,985</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized	
- 9,000 Preferred Shares, 7½, Non-Cumulative, Redeemable, Par Value \$10 Each	
- 10,000 Common Shares, No Par Value	
Issued and Fully Paid	
- 3,000 Preferred Shares	30,000
- 6,003 Common Shares	<u>603</u>
	30,603

RETAINED EARNINGS

	149,995
	<u>180,598</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

	\$739,219
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TOTAL ASSETS	\$739,219
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SIGNED ON BEHALF OF THE BOARD

..... DIRECTOR
..... DIRECTOR
..... DIRECTOR

J - L VITAMINS AND COSMETICS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD OCTOBER 15, 1967 TO JULY 20, 1968

1. BANK ADVANCES

Assets pledged to secure bank advances:

- book debts
- certain automotive equipment
- floating debenture on all assets of the Company in the amount of \$100,000

2. LONG-TERM LIABILITIES

The long-term liabilities outstanding as at July 20, 1968 are secured by personal guarantee, certain fixed assets and a chattel mortgage on fixtures and inventory and have due dates as indicated below:

Past Due - 10%	\$ 5,000
Due in 1968 - 6%	495
1969 - 6% - 18%	4,264
1970 - 11½% - 18%	24,908
1971 - 9% - 18%	53,594
No Due Date - 10%	6,000
	<u>94,261</u>
Less: Current Portion	<u>45,269</u>
	<u>\$ 48,992</u>

The maturity dates shown above reflect only the due dates of the balances owing as at July 20, 1968 and do not reflect the systematic payment of principal.

3. LEASE REQUIREMENTS

Minimum annual rental costs under lease agreements aggregate approximately:

1968 - 1969	\$ 37,420
1970	33,220
1971	15,900
1972	15,000
1973 - 1977	10,200

4. CONTINGENT LIABILITIES

There are certain actions pending under The Pharmacy Act and no provision has been made for any liability or costs in this statement.

J - L VITAMINS AND COSMETICS LIMITED

STATEMENT OF RETAINED EARNINGS
FOR THE PERIOD OCTOBER 15, 1967 TO JULY 20, 1968

<u>BALANCE - BEGINNING OF PERIOD</u>	<u>\$107,422</u>
Add: Net Earnings for the Period	<u>56,495</u>
	163,917
Less: Corporation Income Tax Interest	804
Goodwill Written Off	12,500
Organization Expense Written Off	<u>618</u>
	<u>13,922</u>
<u>BALANCE - END OF PERIOD</u>	<u>\$149,995</u>

J - L VITAMINS AND COSMETICS LIMITED

STATEMENT OF EARNINGS
FOR THE PERIOD OCTOBER 15, 1967 TO JULY 20, 1968

<u>SALES</u>	\$1,950,794
<u>COST OF SALES</u>	
Inventory - October 14, 1967	529,050
Purchases	<u>1,639,557</u>
	2,168,607
Inventory - July 20, 1968	<u>585,212</u>
	1,583,395
<u>GROSS PROFIT</u>	367,399
<u>EXPENSES</u> - Schedule	<u>280,763</u>
	86,636
<u>OTHER INCOME</u>	
Miscellaneous Income	571
Advertising and Promotion Allowances	10,988
Purchase Discounts	<u>5,077</u>
	16,636
<u>NET EARNINGS</u> , Before Income Taxes	103,272
Provision for Income Taxes	<u>46,777</u>
<u>NET EARNINGS FOR THE PERIOD</u>	<u>\$ 56,495</u>

J - L VITAMINS AND COSMETICS LIMITED

SCHEDULE OF EXPENSES
FOR THE PERIOD OCTOBER 15, 1967 TO JULY 20, 1968

Freight and Express	\$ 3,011
Rent	34,913
Store Wages	104,130
Office Wages	5,840
Management Salaries	17,982
Insurance	4,522
Unemployment Insurance	1,257
Employee Insurance	1,016
Canada Pension Plan	1,538
Light, Heat and Water	6,693
Taxes	7,801
Licences	272
Repairs and Maintenance	1,308
Store Supplies and Expense	15,662
Office Supplies and Postage	1,347
Telephone	2,627
Advertising	7,146
Bank Charges and Interest	7,899
Interest on Long-Term Liabilities	16,801
Depreciation - Store Fixtures	9,378
Depreciation - Office Equipment	752
Amortization - Leasehold Improvements	330
Automotive Expenses	4,797
Depreciation - Automotive Equipment	4,487
Travelling Expense	175
Cash Over and Short	562
Warehouse Supplies	3,886
Donations	1,199
Memberships	291
Legal, Accounting and Audit	12,162
Miscellaneous	<u>979</u>
	<u>\$280,763</u>

J - L VITAMINS AND COSMETICS LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS
FOR THE PERIOD OCTOBER 15, 1967 TO JULY 20, 1968

SOURCE OF FUNDS

Net Earnings for the Period	\$ 56,495
Add: Charges Not Requiring Cash Outlay	
- Depreciation and Amortization	<u>14,947</u>
	71,442

USE OF FUNDS

Purchase of Fixed Assets - Net	13,056
Reduction of Long-Term Debt, Including	
Portion Transferred to Current Liabilities	28,246
Payment of Interest on	
Previous Years Corporation Taxes	804
Adjustment of Capital Stock - Net	<u>400</u>
	42,506

INCREASE IN WORKING CAPITAL \$ 28,936

REPRESENTED BY:

October 14, 1967

Current Assets	\$595,611
Current Liabilities	<u>395,168</u>
Working Capital as Reported	200,443
Less: Adjustment for Bank Loan Due on Demand	
Transferred to Current Liabilities	<u>60,999</u>
Revised Working Capital	139,444

July 20, 1968

Current Assets	663,009
Current Liabilities	<u>424,629</u>
Working Capital	168,380

INCREASE IN WORKING CAPITAL \$ 28,936

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 432-2651
409 KING STREET
LONDON, CANADA

September 16, 1968

AUDITORS' REPORT

We have examined the balance sheet of J - L Vitamins and Cosmetics Limited as at July 20, 1968 and the statements of earnings, retained earnings and source and use of funds for the period October 15, 1967 to July 20, 1968. Our examination included a general review of the accounting procedures. We are not the auditors of the Company and did not attend at stocktaking at October 14, 1967 and we were unable to verify the accuracy of the opening inventory by other means. We have therefore been unable to form an opinion as to the fairness of the inventory figure at that or previous year ends, and its effect, if any, on the statement of earnings for the period. Except for this, our examination included such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at July 20, 1968 and, subject to the accuracy of the opening inventory, present fairly the results of its operations and the source and use of its funds for the period October 15, 1967 to July 20, 1968 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CHARTERED ACCOUNTANTS

16. Names, and addresses of persons whose shareholdings are large enough to materially affect control of the company.	There does not appear to be any shareholders of Capital Building Industries Limited owning sufficient shares to affect control of the Company. D. H. Swift may be able to effect control if he was successful in obtaining proxies from the other large shareholders.
17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value.	The Company has a number of wholly-owned subsidiaries through which it carries on its business, namely: Capital Quality Homes Limited, Capitaland Limited, Essex Cabinet Makers (Ontario) Limited, Capital Quality Homes (Quebec) Limited, Capitaland (Quebec) Limited, Essex Cabinet Makers (Quebec) Limited and Meteor Securities Limited.
18. Brief statement of any lawsuits pending or in process against company or its properties.	The only pending legal proceeding material to Capital to which Capital or any of its subsidiaries is a party or of which any of their property is the subject is an action consolidated in February, 1968 in the Supreme Court of Ontario arising from several Mechanics' Lien actions brought by Dominion Sash Limited as plaintiff against Capital and one of its subsidiaries, namely Essex Cabinet Makers (Ontario) Limited, claiming damages in the aggregate of \$27630 which action is being vigorously defended. A counter claim action has been commenced for more than the amount claimed by the said plaintiff.
19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing.	None. The Company has the usual contracts concerning the development of real estate which is its business.
20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public.	None. No shares of the Company are in the course of primary distribution to the public.

CERTIFICATE OF THE COMPANY

DATED July 23, 1968.

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

"D.H. Smith"

D. H. Smith CORPORATE SEAL

"J.D. Harrison"

CERTIFICATE OF UNDERWRITER OR OPTIONEE

J. D. Harrison Director

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)

